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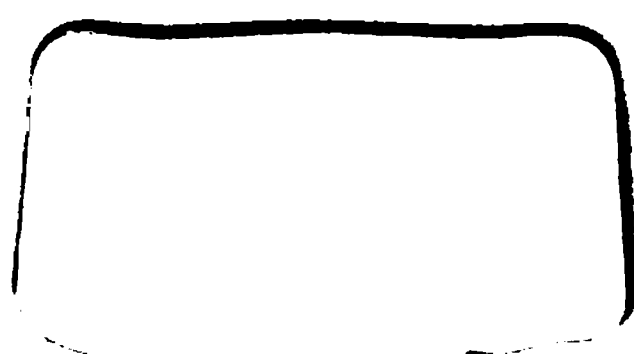
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At



SEVENTH ANNUAL REPORT
OF THE
PHILIPPINE COMMISSION.
1906.

(IN THREE PARTS.)

PART 1.

BUREAU OF INSULAR AFFAIRS : : WAR DEPARTMENT.



WASHINGTON:
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1907.

CONTENTS.

	Page.
Report of chief of bureau of insular affairs.....	3
Legislation enacted by the Fifty-ninth Congress, first session.....	3
Regulation of shipping.....	3
Coinage.....	4
Authentication of invoices.....	4
Nautical school.....	4
Batan coal claims.....	4
Necessary legislation.....	5
Tariff on Philippine products.....	5
Agricultural bank.....	9
Railways in the islands.....	10
Manila water supply and sewerage system.....	10
Silver certificates.....	11
Depositories of Philippine funds.....	11
Philippine coinage.....	11
Postage stamps.....	12
Purchase of supplies.....	13
New York office.....	14
Disbursement of Philippine revenues in the United States.....	14
Inspections.....	14
Ocean carrying trade.....	14.
Commercial statistics.....	15
Imports.....	16
Exports.....	17
Receipts and expenditures.....	18
Insular.....	18
Provincial.....	18
City of Manila.....	19
Law officer.....	19
Division of insurgent records.....	19
Philippine civil service.....	19
Transportation of civil employees and members of families.....	20
Filipino students in the United States.....	20
List of schools.....	20
Correspondence and records.....	21
Gazetteer of the Philippine Islands.....	22
Publications.....	22
What has been done in the Philippines (second edition).....	22
Compilation of acts of Congress, treaties, and proclamations relating to insular and military affairs (second edition).....	22
Abaca (manilla hemp).....	23
Forests and forestry.....	23
Maps.....	23
Distribution of documents.....	23
Library of insular documents.....	24
Index.....	24
Republic of Cuba.....	24
Rank of chief of bureau.....	24
Organization and personnel.....	25
Report of the Philippine Commission.....	27
Conditions as to peace and order.....	29
In the vicinity of Manila.....	29
In north central Luzon.....	31
Conditions in Samar.....	34
Conditions in Leyte.....	36
Conditions in Cebu and other Visayan provinces.....	38
Moro Province.....	38

202407 gfr

Report of the Philippine Commission—Continued.	Page.
Elections	40
Municipal elections	40
Provincial elections	41
Executive clemency	41
Industrial conditions	42
Currency	45
Financial conditions	47
Bonded indebtedness	48
Internal-revenue law	48
Suspension of the land tax	49
Agricultural banks	50
Railroads	51
Benguet road	54
Interisland shipping	55
Manila Harbor	56
Administration of justice	57
Religious controversies	58
Friar lands	58
Postal savings bank	59
Opium law	60
Dingley tariff	62
American capital in the islands	65
New legislation	67
Refund of duties on exports	68
Public lands	68
Mining laws	69
Insular customs tariff	71
Coast and geodetic survey, topographical surveys, light-house service, and quarantine service	71
Specific recommendations	72
Report of the governor-general	75
City of Manila	77
Insular purchasing agent	77
Bureau of civil service	77
Executive secretary	79
Change in the chief executive	83
Reports of provincial governors	83
Moro Province	85
Exhibit No. 1.—Report of the director of civil service	89
Change in organization	89
Examinations	90
Appointments in the classified service	90
Tenure of office	91
Suspensions and fines	92
Exclusion of the morally unfit	93
Accrued leave	93
Office hours	93
Changes in extent of classified service	94
Exhibit No. 2.—Report of the executive secretary	97
Exhibit A.—A tabulated statistical statement of the cases against municipal officers and justices and auxiliary justices of the peace	155
Exhibit B.—Number and nature of the charges during the past year against the officials covered by Exhibit A and the result thereof	155
Exhibit C.—Table showing appointment, designations, declina- tions, resignations, number relieved by statutory provisions, etc., removals, and deaths of officials during the year	155
Exhibit D.—Provincial officials, number of Americans and Fili- pinos	155
Exhibit E.—Municipal and township officers, number of Ameri- cans and Filipinos	155
Exhibit F.—Table showing population, number of voters, and number qualifying as electors, by provinces	156

	Page.
Report of the governor-general—Continued.	
Exhibit No. 2.—Report of the executive secretary—Continued.	
Exhibit G.—Population, persons qualifying as electors, and electors actually voting in provinces of Benguet, Lepanto-Bontoc, Mindoro, and Nueva Vizcaya	156
Exhibit H.—Statement of a portion of the work performed by the administration and finance division	155
Exhibit I.—Reports of provincial governors	157
Albay	157
Ambos Camarines	178
Antique	182
Bataan	190
Batangas	193
Benguet	197
Bohol	201
Bulacan	207
Cagayan	212
Capiz	215
Cavite	222
Cebu	232
Ilocos Norte	268
Ilocos Sur	275
Abra	278
Iloilo	285
Isabela	293
La Laguna	304
Lepanto-Bontoc	311
Leyte	319
Mindoro	330
Misamis	333
Moro	340
Nueva Ecija	386
Nueva Vizcaya	392
Occidental Negros	398
Oriental Negros	404
Palawan	408
Pampanga	411
Pangasinan	415
Rizal	422
Romblon	431
Samar	434
Sorsogon	443
Surigao	452
Tarlac	456
Tayabas	460
La Union	475
Zambales	478
EXHIBIT J.—Consular representatives at Manila, June, 1906	483
Report on the agricultural bank in the Philippines	487
The need of an agricultural bank in the Philippines.....	487
Postulates of successful agricultural credit.....	490
Various types of agricultural banks.....	490
The extension of agricultural credit in the Philippines by private initiative	491
The government agricultural bank.....	491
Cooperative agricultural credit associations.....	492
The Egyptian plan.....	494
The plan proposed for the Philippines.....	495
Some objections briefly considered—	
(1) The alleged misuse of money by borrowers.....	496
(2) Possible expense to the government.....	496
(3) Confused condition of land titles.....	498
(4) The difficulty of obtaining the necessary investment of capital	498
(5) The interference with the official duties of provincial and municipal treasurers.....	498
(6) The rate of interest.....	499
Conclusion	499

Report on the agricultural bank in the Philippines—Continued.

EXHIBITS.

	Page.
EXHIBIT A.—Draft of a bill for the establishment of an agricultural bank in the Philippine Islands.....	501
EXHIBIT B.—Agricultural credit in the Philippines.....	510
Schedule I.—Rates of interest prevailing in different provinces on loans secured by realty.....	510
Schedule II.—Summary of opinions of provincial treasurers concerning the advisability of establishing an agricultural bank.....	511
Schedule III.—Extracts from opinions of provincial treasurers concerning the need of an agricultural bank....	513
Schedule IV.—Statement showing (A) agricultural land registered in each of the provinces under the Philippine land-registration act; (B) agricultural land in each of the provinces, applications for the registration of which are pending.....	525
(This last schedule is in course of preparation and will be submitted later.)	
EXHIBIT C.—The Agricultural Bank of Egypt.....	526
Schedule I.—Extracts from Lord Cromer's reports.....	526
Schedule II.—Concession of Egyptian Government.....	534
Schedule III.—Statutes of bank.....	536
Schedule IV.—Bank's plan of operation.....	542
Schedule V.—Instructions to borrowers.....	544
Schedule VI.—Forms used by bank.....	545
EXHIBIT D.—Provisions of the code of commerce concerning mortgage and agricultural banks in the Philippines.....	552
EXHIBIT E.—Statutes of the East Prussian Landschaft.....	555
EXHIBIT F.—Statute of the New West Prussian Landschaft.....	560
EXHIBIT G.—French law relating to societies for the grant of land credit	564
EXHIBIT H.—Articles of the Crédit Foncier of France.....	569
EXHIBIT I.—Laws and regulations relating to the Hungarian Boden-Kredit Institut.....	577
EXHIBIT J.—Extracts from the laws and regulations regarding real credit in Italy.....	587
EXHIBIT K.—Law relating to the mortgage bank of Canton Berne (Switzerland)	598
EXHIBIT L.—Agricultural bank bill proposed for the Madras presidency (India)	602
EXHIBIT M.—Abstracts of the agricultural banking laws of the various Australian States and of New Zealand.....	633
Schedule I.—Abstract of the South Australian agricultural bank act.....	633
Schedule II.—Abstract of the Western Australian agricultural bank act.....	634
Schedule III.—Abstract of the New South Wales agricultural bank act	634
Schedule IV.—Abstract of the Victorian agricultural bank act....	635
Schedule V.—Abstract of the Queensland agricultural bank act....	635
Schedule VI.—Abstract of the New Zealand agricultural bank act	636
EXHIBIT N.—Comments and recommendation of Mr. Charles A. Conant with reference to the establishment of mortgage banks in the Philippines.....	637
Report on the Agricultural Bank of Egypt.....	643
Preliminary	645
Indebtedness of the fellaheen.....	645
Land credit in Egypt.....	647
Government advances to agriculturists.....	648
The National Bank of Egypt.....	649
The Agricultural Bank of Egypt.....	650
The bank and the fellaheen.....	653
A. Number and size of loans.....	653
B. Reasons for borrowing	655
C. Are the fellaheen getting out of debt?	656

CONTENTS.

VII

Report on the Agricultural Bank of Egypt—Continued.	Page.
The bank and the stockholders.....	658
A. The bank established on a strictly commercial basis.....	658
B. The bank's financial condition.....	659
C. The bank's financial standing	659
D. Bad debts	660
E. Competition	662
The bank and the government.....	662
A. The government's guaranty.....	662
B. Miscellaneous	663
Factors in the bank's success.....	663
A. High personnel.....	663
B. The utilization of the services of government employees.....	664
C. Egyptian land titles.....	666
Applicability of the Egyptian plan to the Philippines.....	666
The Filipino farmer and the Egyptian fellah.....	667
Greater security of Egyptian crops.....	668
Land titles in Egypt and the Philippines.....	668
Conclusion	669

APPENDIX.

EXHIBIT A.

Revised statutes and concession of the Agricultural Bank of Egypt..	671
Schedule I.—Revised statutes.....	671
Schedule II.—Concession of the Egyptian Government.....	679

EXHIBIT B.

Reports of the directors of the Agricultural Bank of Egypt.....	680
Schedule I.—Report for the period June 1, 1902, to December 31, 1903	680
Schedule II.—Report for the period January 1, 1904, to December 31, 1904	685
Schedule III.—Report for the period January 1, 1905, to December 31, 1905	689

EXHIBIT C.

Extracts from the annual reports of the Earl of Cromer relative to the Agricultural Bank of Egypt, and to the distribution of Egyptian land.....	693
Schedule I.—Extracts from the annual report of the Earl of Cromer for the year 1904.....	693
Schedule II.—Extracts from the annual report of the Earl of Cromer for the year 1905.....	695

**REPORT OF THE CHIEF OF THE BUREAU OF INSU-
LAR AFFAIRS TO THE SECRETARY OF WAR.**

WAR 1906—VOL 7—1

1

REPORT
OF THE
CHIEF OF THE BUREAU OF INSULAR AFFAIRS
TO THE
SECRETARY OF WAR.

WAR DEPARTMENT,
BUREAU OF INSULAR AFFAIRS,
Washington, October 31, 1906.

SIR: I have the honor to submit the following report of the Bureau of Insular Affairs for the past year:

LEGISLATION ENACTED BY THE FIFTY-NINTH CONGRESS, FIRST SESSION.

While not all of the recommendations of the Philippine Commission and of the Department requiring Congressional action were acted upon, much was accomplished during the last session of Congress.

REGULATION OF SHIPPING.

One of the specific recommendations submitted by the Philippine Commission in its report for the year 1905 was that the act of April 15, 1904, providing regulations for shipping, be repealed, or that the operations of sections 1 and 2 thereof, governing the transportation of persons and merchandise after July 1, 1906, be suspended until July 1, 1909. At the time of the enactment of the original act it was hoped that by July 1, 1906, the American shipowners would have ample facilities to care for the shipping between the United States and the Philippines, but it became manifest that this could not be done. There are not enough ships of American registry plying between the United States and the countries of the far Orient to accommodate the Philippine trade, which is itself insufficient to justify the establishment of lines for its special accommodation. It was equally to the interest of the American exporter and the Philippine consumer that the date on which this legislation was to become effective, should at least be postponed, and the recommendation of the Commission was earnestly indorsed by all parties in interest. In consequence, by an act of April 30, 1906, the date upon which the coastwise laws should go into operation was postponed from July 1, 1906, to April 11, 1909. This date was decided upon, as it is the date the special commercial privileges granted by the treaty of Paris to Spain will expire.

COINAGE.

The bill amending the Philippine coinage laws passed both Houses very promptly on its introduction and was on June 23, 1906, approved by the President. It authorizes the Philippine Commission, with the approval of the President, to reduce the weight and fineness of the Philippine silver coins. This was rendered necessary by the increase in value of silver, which had made the intrinsic value of the Philippine peso greater than its face value as currency. It also authorizes the Philippine government to use as reserve against which to issue currency, gold coin of the United States. This was necessary in order to give elasticity to the currency issue of the Philippine Islands, the increase of which would otherwise have to wait on the coinage of silver, as the law to which this was an amendment provided that only Philippine silver coin could be used as such reserve.

AUTHENTICATION OF INVOICES.

Among the other acts of the last session of Congress with exclusive application to the Philippine Islands was that of June 28, 1906, providing that the authentication of invoices of merchandise exported to the United States from the Philippine Islands might be made by a collector or a deputy collector of customs of those islands. It had been held that section 2844 of the Revised Statutes applied to the Philippine Islands. This section required that in the absence of an American consul, or consular agent, invoices of merchandise shipped to the United States should be authenticated before a consul of some friendly nation. Under this provision, which had not contemplated the relation existing between the United States and the Philippine Islands, we had the anomaly of the requirement of the intervention of a foreign consular agent to enable an American merchant in a possession of the United States to ship merchandise to the United States proper.

NAUTICAL SCHOOL.

The act of June 30, 1906, authorized the Secretary of the Navy to loan a vessel of the Navy to the Philippine government for the use of the Manila Nautical School. The necessity of this had been felt for some time, and the passage of this act was recommended by the governor-general of the Philippine Islands and the Secretary of War.

BATAN COAL CLAIMS.

The act of February 26, 1906, authorized the Secretary of War to purchase the coal claims of certain Spaniards on the island of Batan. The governmental interest in this arose from the fact that while there was at this place large deposits of coal suitable to the use of the Government transports and interisland coast-guard steamers, yet owing to the fact that these claims remained undeveloped, the Government was forced to buy its coal in foreign markets at a price considerably in excess of what it could be profitably mined for in the islands.

NECESSARY LEGISLATION.

Two measures are now pending in Congress of the utmost importance to the welfare of the people of the Philippine Islands.

REDUCTION OF DUTIES.

The first of these is the act which has passed the House of Representatives and is awaiting the action of the Senate, providing for the reduction of duties on Philippine imports into the United States.

In his annual report for 1902 Mr. Root, the then Secretary of War, said:

I do not wish to delay, however, in asking the attention of Congress to two subjects upon which, I think, if the conditions and needs of the islands could be fully understood, there would be but little controversy, and upon which very simple enactments would be of immense value to the people of the islands, whose welfare the Government of the United States is bound to promote. I earnestly urge, first, that the duties levied in the United States upon products of the Philippine Archipelago imported therefrom be reduced to 25 per cent of the Dingley tariff. * * *

On December 5, 1902, a bill (H. R. 15702) was introduced, section 2 of which, designed to make effective this recommendation, provided that upon all articles the growth and product of the Philippine Islands coming into the United States from the Philippine Islands there should be levied, collected, and paid only 25 per cent of the rates of duty aforesaid (i. e., rates paid upon like articles imported from foreign countries). This bill passed the House of Representatives December 18, 1902, and was subsequently (December 20) referred to the Senate Committee on the Philippines. On February 27, 1903, the President transmitted to the Senate a special message urging the passage of this bill. On March 4, 1903, the chief of the Bureau of Insular Affairs cabled the Philippine Commission that the bill for the reduction of the tariff "Failed; did not get to a vote."

In his annual report for 1903 Secretary of War Root again said:

I earnestly renew the recommendation which I have already made for a reduction of duties upon Philippine imports into the United States. As matters stand at present we have practically deprived the Philippines of their Spanish market, and we have so arranged the tariff laws of the two countries that American consumers are making money at the expense of the Philippine revenues. I submit that there is no just reason why the people of the Philippines should not be treated with some fair approach to the advantages which are awarded to the people of Porto Rico and the Hawaiian Islands.

On November 11, 1903, a bill practically identical with the one which had failed to reach a vote at the preceding session was introduced in the Senate.

On March 22, 1904, the chief of the Bureau of Insular Affairs cabled the Philippine Commission that tariff legislation had been postponed until the short session.

The present Secretary of War, Mr. Taft, in his report for the year 1904, said:

I beg to renew again the recommendation made by my predecessor, Secretary Root, by President McKinley, by you in your messages of last year, and by the Philippine Commission in all its reports, in favor of a substantial reduction of the present tariff upon Philippine products imported into the United States. I urge that a bill shall be adopted by Congress allowing the admission, duty free, of all products of the Philippine Islands, manufactured or otherwise, except tobacco and sugar, and that there be imposed upon all importations of sugar and tobacco a duty equal to 25 per cent of the rates now imposed under the Dingley law upon the importations from foreign countries.

On January 14, 1905, there was introduced in the House of Representatives a bill which, in so far as the tariff on imports from the Philippine Islands into the United States was concerned, was identical with that referred to. On February 27, 1905, this bill was reported favorably from the Committee on Ways and Means, with certain amendments not affecting the tariff on articles imported from the Philippines into the United States. The bill did not reach a vote at that session of Congress.

The Secretary of War in his report for 1905, referring to the Philippines, said:

A number of bills will be presented to Congress seeking amendments of more or less importance in the existing laws, but the bill, the progress of which will be followed with the greatest anxiety, is that providing that all products of the Philippine Islands, except sugar and tobacco, shall be allowed to enter the ports of the United States free, and that sugar and tobacco shall have imposed upon them for three years only a duty of 25 per cent of the present Dingley rates, and that after 1909 there shall be complete free trade between the islands and the United States in the products of each country.

A bill carrying into effect the foregoing recommendation was introduced early in the first session of the present Congress, and passed the House on January 16, 1906, by a vote of 259 to 71. It was not acted on by the Senate, and on the adjournment of this first session of Congress it again became the duty of the Bureau of Insular Affairs to inform the Philippine Commission that the bill for the reduction of the tariff on imports from the Philippine Islands into the United States had failed to come to a vote. During the period referred to the Philippine Commission had in each of its annual reports urgently recommended the passage of this legislation.

It is thus seen that for more than four years, or ever since the official declaration of the termination of the insurrection against the United States in the Philippine Islands, the Philippine Commission, the Secretary of War, and the President have urged, as most necessary to the welfare of the people in the Philippine Islands and to the successful government of those islands, the passage of this or some similar bill which would concede a lower rate of duty on products of the Philippine Islands coming into the United States than the tariff imposed on the products of foreign countries, and that all of their efforts to carry out this purpose have not as yet resulted in a final vote which would indicate either approval or disapproval of the proposition.

It is doubtful if at this time any other officers of the Government have imposed on them so difficult a task as have the members of the Philippine Commission—that of successfully governing these far-away islands. It would seem, having by law imposed this most difficult task on the Philippine Commission, that their hands should be upheld in carrying out those policies which they deem essential.

It should be borne in mind that during this entire period everyone connected with the government of the Philippines has been impressed with the urgent need of some such legislation as that proposed, to lift the Filipino people out of the depth of poverty into which they have fallen as the result of the wars, insurrections, and pestilence with which those islands have been cursed for a period of ten years. And not only have they thus agreed to the importance of this legislation to the islands, but they have been uniformly of the opinion that such assistance as would be given the depressed agriculture of the Philippines by this act could in no wise harm any interest in the United States.

This question has never been a political one, nor has the duration of our stay in the Philippines any bearing on the desired legislation. When the act "temporarily to provide revenue for the Philippine Islands, and for other purposes," approved March 8, 1902, was before the Senate, the minority reported a bill as a substitute therefor, entitled "A bill to promote the prosperity and establish the independence of the Philippine Islands." This bill provided that during the temporary occupancy of said islands all trade between the same and the United States should be free.

One might think, considering the result of past efforts to obtain this legislation so earnestly desired by the Filipinos, that we were called upon to enter into some altruistic bargain impoverishing our people for the benefit of barbarians on the other side of the earth. It requires very little analysis of the measure to show that it involves no extreme altruism.

This is the bill now recommended as it passed the House of Representatives:

AN ACT To amend an Act entitled "An Act temporarily to provide revenue for the Philippine Islands, and for other purposes," approved March eighth, nineteen hundred and two.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the second section of the Act entitled "An Act temporarily to provide revenue for the Philippine Islands, and for other purposes," approved March eighth, nineteen hundred and two, is hereby amended to read as follows:

"SEC. 2. That on and after the passage of this Act there shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Islands the rates of duty which are required to be levied, collected, and paid upon like articles imported from foreign countries: *Provided*, That all articles wholly the growth and product of the Philippine Islands coming into the United States from the Philippine Islands shall hereafter be admitted free of duty, except sugar, tobacco, and rice manufactured and unmanufactured, upon which there shall be levied, collected, and paid only twenty-five per centum of the rates of duty aforesaid: *And provided further*, That the rates of duty which are required hereby to be levied, collected, and paid upon products of the Philippine Islands coming into the United States shall be less any duty or taxes levied, collected, and paid thereon upon the shipment thereof from the Philippine Islands, as provided by law, under such rules and regulations as the Secretary of the Treasury may prescribe; but all articles wholly the growth and product of the Philippine Islands admitted into the ports of the United States free of duty under the provisions of this Act, and coming directly from said islands to the United States for use and consumption therein, shall be hereafter exempt from any export duties imposed in the Philippine Islands: *Provided, however*, That in consideration of the rates of duty aforesaid, sugar and tobacco, both manufactured and unmanufactured, wholly the growth and product of the United States, shall be admitted to the Philippine Islands from the United States free of duty: *And provided further*, That on and after the eleventh day of April, nineteen hundred and nine, all articles and merchandise going from the United States into the Philippine Islands, and all articles wholly the growth and product of the Philippine Islands coming into the United States from the Philippine Islands, shall be admitted free of duty: *And provided further*, That in addition to said duty when levied and in case said articles are admitted into the United States free of duty, there shall be paid upon articles of merchandise of Philippine Islands manufacture coming into the United States and withdrawn for consumption or sale a tax equal to the internal-revenue tax imposed in the United States upon the like articles of merchandise of domestic manufacture; such tax to be paid by internal-revenue stamp or stamps to be provided by the Commissioner of Internal Revenue and to be procured by purchase from the collector of internal revenue at or most convenient to the port of entry of said merchandise in the United States, and to be affixed under such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, and such articles of Philippine Islands manufacture mentioned in this proviso shall be exempt from payment of any tax imposed by the internal-revenue laws of the Philippine Islands: *And provided further*, That in addition to the duty hereinbefore provided when levied and in case said articles are

admitted into the Philippine Islands free of duty, there shall be paid upon articles of merchandise manufactured in the United States and going into the Philippine Islands and withdrawn for consumption or sale, a tax equal to the like articles of merchandise when manufactured in the Philippine Islands; such tax to be paid by internal-revenue stamps or otherwise as provided by the laws in force in the Philippine Islands upon the like articles; and such articles manufactured in the United States mentioned in this proviso and going into the Philippine Islands shall be exempt from payment of any tax imposed by the internal-revenue laws of the United States. All the moneys collected under this section as amended shall, until the eleventh day of April, nineteen hundred and nine, be paid over and disposed of as provided in section four of the Act hereby amended, and shall not be covered into the Treasury of the United States."

SEC. 2. That on and after the day when this Act shall go into effect all goods, wares, and merchandise previously imported from the Philippine Islands, for which no entry has been made, and all goods, wares, and merchandise previously entered without payment of duty and under bond for warehousing, transportation, or any other purpose, for which no permit of delivery to the importer or his agent has been issued, shall be subjected to the duties imposed by law prior to the passage of this Act, and to no other duty, upon the entry or the withdrawal thereof: *Provided*, That when duties are based upon the weight of merchandise deposited in any public or private bonded warehouse said duties shall be levied and collected upon the weight of such merchandise at the time of its entry.

There can be no reasonable doubt that if the Philippines were wholly independent of the United States the trade relations established by this act would be welcomed by our business interests in the United States. Compare the terms of this bill with those of the commercial convention between the United States and Cuba. Which is the more favorable to us?

Briefly, in 1902, as a pure business proposition, we admitted to our protected home market with a 20 per cent reduction of the existing tariff 1,000,000 tons of sugar and \$14,000,000 worth of tobacco produced in Cuba, for such an opportunity as was given us to sell in Cuba \$35,000,000 worth of American goods under a tariff differential varying from 20 to 40 per cent in our favor as against our competitors.

The bill now before the Senate, similarly translated is an offer to admit to our protected market as much of the sugar and tobacco of the Philippine Islands as may be tempted thereby, but which is naturally limited to the tobacco available for export, an amount that has never exceeded 262,000 tons of sugar (1893) and \$2,800,000 worth of tobacco (1902). In exchange for this relatively small concession, an opportunity would be given us to sell in the Philippines \$26,000,000 worth of American goods at a 100 per cent differential in our favor over the tariff rates imposed by Congress on the goods of our competitors.

With American consumption of Cuban sugar and tobacco so large in proportion to the maximum production of the Philippines, these figures do not tell the whole story. The tobacco of Cuba has a ready market and is appreciated in the United States. Such is not the case with Philippine tobacco, which is practically unknown in our market and would admittedly find little favor with the American consumer.

In both Cuba and the Philippines this reciprocal arrangement gives us an advantage in supplying such additional demand as will be created by progress and increased prosperity, as well as the present needs of those countries. But the Philippines have five times the population of Cuba, with at present but one-half of the imports which Cuba had in 1902, and it is evident that with fair progress the increase in demand in the Philippine Islands will far exceed that of Cuba.

It should be borne in mind that the increased demand in Cuba means an increase of sugar and tobacco exported to the United States. Such would be the case in the Philippines to but a very slight extent. The increased demand there would depend chiefly on increased exportation of Manila hemp and copra, neither of which competes with any American product, the two forming to-day 75 per cent of the total of Philippine exports, a proportion which is constantly increasing.

A survey of the pending legislation leads inevitably to the conclusion that it is by no means an altruistic measure but one of distinct advantage to us, regardless of its advantage to the Filipinos. It may be safely asserted that in no case have we been able to obtain from any country a reciprocal trade arrangement so favorable to us as that embodied in this bill, which increases our home market by over 7,000,000 people, producers exclusively, with the exception of a relatively few cigars and cigarettes, of raw material, and, more important still, of raw material 75 per cent of which competes with no product of the United States, though of great use in our factories.

These considerations refer to the full application of the proposed bill after April 11, 1909.

AGRICULTURAL BANK.

There is pending another measure in both the Senate and House of Representatives on which there has yet been no legislative action and which would be of benefit to all classes of Filipinos. This is the bill providing for the establishment of an agricultural bank. The text of the bill as introduced is as follows:

That for the purpose of aiding in the establishment and operation of such an agricultural bank in the Philippine Islands as the general government thereof may hereafter specifically authorize the Philippine government is empowered to guarantee an income of not exceeding four per centum per annum upon cash capital actually invested in such agricultural bank; such guaranty shall be granted by an act of the Philippine Commission.

Heretofore the inhabitants of the islands away from Manila have had no place in which they could secure their savings and no place from which they could borrow on reasonable terms the money necessary in their agricultural or other industries. Where such loans can be obtained at all the borrower is forced to pay from 1 to 10 per cent a month, and there was absolutely no place in which money could be deposited with safety.

One of these conditions is in a fair way of being met by the recent establishment in the islands by the Philippine government, as a part of the postal service, of a postal savings bank. This will immediately enable persons to deposit with the government small sums of money on which they will receive interest of 2½ per cent, to be increased later if the operation of the postal savings bank shows that it can be successfully done without loss to the government.

To meet the second necessity, that of enabling the agriculturist to borrow money at a reasonable rate of interest, the Philippine Commission has recommended the passage of the act above quoted.

The matter of an agricultural bank suitable to the needs of the Philippines has been the subject of earnest study by the Commission for many years. A comprehensive report on this subject has been made by the chief of the currency division of the islands,

showing the results which have been obtained by similar institutions in other countries of the Far East, as well as in many European countries, and the legislation which is requested of Congress is simply to authorize the Philippine government to guarantee interest on the capital invested in this bank, with the merest outline of the organization and management of the bank. The Philippine Commission contemplates the passage by the Commission of a very comprehensive act governing the operation and management of this bank and its supervision by the Philippine government.

In the United States, where private banks provide both for the safe deposit of savings and for the procuring of loans on reasonable and proper security, the necessity for both a guaranteed agricultural bank and a postal savings bank in the Philippines may not be apparent; but in the Philippines, where business outside of the city of Manila has been unable to attract private banks for any purpose, the necessity of these institutions to the encouragement of agriculture and to the progress of the people is most urgently felt.

RAILWAYS IN THE ISLANDS.

In the last annual report of the Bureau reference was made to the then recent legislation (act of February 6, 1905) authorizing the Philippine government to assist in the construction of railways and to the efforts then being made to induce suitable companies to undertake the construction of the lines deemed most essential to progress in the islands.

As a result of such efforts concessions have been granted by the Philippine government, with the approval of the Secretary of War and accepted by the Philippine Railway Company, for the construction, equipment, and operation of approximately 300 miles of railway in the islands of Panay, Negros, and Cebu, and by the Manila Railroad Company for the construction, operation, and equipment of about 425 miles of railway in the island of Luzon.

Surveys are now in progress looking to the early construction of these roads.

It is pleasing to report that the result of the efforts to have these railways constructed on the most favorable terms to the Filipino people has been duly appreciated. On July 12, 1906, when the full text of the concessions and contracts had been published, the Filipino Chamber of Commerce, representing the Filipino commercial interests of the archipelago, unanimously passed a resolution thanking the Commission for the interest displayed in this work, "so gratifying to the public interests of the country," and recommending to the Commission that it urge the concessionaires to hasten construction.

MANILA WATER SUPPLY AND SEWERAGE SYSTEM.

Bids for a water system for the city of Manila were opened January 2, 1906, in the city of Manila. This includes a gravity water supply to consist of a masonry dam and inlet chamber, a steel pipe line about 10½ miles long, a masonry conduit in a tunnel, and an open cut about 4½ miles long, a receiving and distributing reservoir, gates, gate houses, etc. The total amount of the several contracts approximated \$1,025,000, and the work is now under construction. Bids for the construction of about 52 miles of sewers were also opened on January 12, 1906, and the contract was awarded in the sum of \$1,631,053.20.

These improvements are to be paid for by funds derived from the sale of bonds authorized by the act of Congress of July 1, 1902, described in the last annual report of the Bureau.

SILVER CERTIFICATES.

In addition to the silver certificates mentioned in the last annual report as having been prepared and shipped to Manila there were forwarded by transport on July 5, 1906, certificates aggregating ₱17,000,000, in denominations of 20, 50, 100, and 500 pesos, and on transport sailing October 15 ₱5,000,000 in 10-peso notes.

The total face value of silver certificates of each denomination shipped to September 30, 1906, is as follows:

₱3,000,000 in 500's
4,000,000 in 100's
4,000,000 in 50's
6,000,000 in 20's
16,000,000 in 10's
6,000,000 in 5's
3,000,000 in 2's
<hr/>
42,000,000

The cost of preparing and forwarding the shipments completing the above was as follows:

Date forwarded.	Forwarded on U. S. army transport—	Value.	Cost of preparing.	Insurance.	Total cost.
1906.					
July 5	Sheridan	₱17,000,000	\$5,522.41	\$69.50	\$5,591.91
October 15	Sherman	5,000,000	5,925.50	70.00	5,995.50

All of the silver certificates for the Philippine Islands were prepared by the Bureau of Engraving and Printing of the Treasury Department, and the courteous and invaluable assistance rendered in the matter by the Treasury officials is gratefully acknowledged.

DEPOSITARIES OF PHILIPPINE FUNDS.

Depositaries of Philippine funds are the same as mentioned in the last annual report, with the addition of the Morton Trust Company, of New York, which was declared by the Secretary of War in May, 1906, an authorized depository of the Philippine government in the United States. The total deposits of the treasurer of the Philippine Islands with banks in the United States on September 30, 1906, amounted to \$8,040,772.77.

PHILIPPINE COINAGE.

Since the last annual report, showing that ₱33,428,018.62 in silver and minor coins (including proof coins) had been delivered to the Philippine government, there have been no further purchases of bullion for coinage, the increase in the metal currency of the Philippine Islands since that date being due altogether to the recoinage of Spanish-Filipino coins withdrawn from circulation in the islands and

shipped to the United States mint at San Francisco, as shown by the following table:

Arrived in San Francisco—	Face value.	Standard ounces of silver.	Bullion value in United States currency.
1905.			
December 15	₱152,045.60	117,708.17	\$67,909.59
1906.			
January 15	50,000.00	38,560.14	22,246.23
March 3	70,070.00	54,341.03	31,850.60
April 9	26,637.00	20,616.90	11,894.36
May 16	40,000.00	30,861.32	17,804.69
July 14	31,800.00	24,664.16	14,229.32
Total	\$70,552.60	286,751.72	165,434.79

From Spanish-Filipino coin there have been recoined at the San Francisco mint and sent to Manila during the period covered by this report new Philippine coins to the amount of ₱434,781.80 of denominations as follows:

Shipped to Manila—	Number pesos.	Number 50 centavos.	Number 20 centavos.	Number 10 centavos.	Face value in pesos.	Face value in United States currency.
1905. ^a						
November 6	96,000				₱96,000.00	\$48,000.00
1906.						
January 5	135,635	2,442	8,722	1,814	138,781.80	69,390.90
February 15	50,000				50,000.00	25,000.00
March 26	66,000				66,000.00	33,000.00
April 16	24,000				24,000.00	12,000.00
July 5	30,000				30,000.00	15,000.00
August 15	30,000				30,000.00	15,000.00
Total	481,635	2,442	8,722	1,814	434,781.80	217,390.90

^aCoined from Spanish-Filipino coin received prior to Nov. 1, 1905, and not included in preceding table of shipments received from Manila.

Payments made by the Bureau for expenses of recoinage and of shipment during the period covered by this report appear below:

Coinage charges at Philadelphia	\$16.40
Coinage charges at San Francisco	4,385.93
Refining charges, old coins	1,763.04
Marine insurance	2,832.52
Packing and packages	70.37
Drayage	65.66
Total	9,133.92

POSTAGE STAMPS.

During the year there were prepared and forwarded under the direction of the Bureau the following postage stamps:

Denomination.	Number.	Denomination.	Number.
2 centavos	12,000,000	26 centavos	14,000
4 centavos	5,000,000	30 centavos	400,000
6 centavos	80,000	1 peso	200,000
8 centavos	35,000	2 pesos	100,000
10 centavos	2,000,000	4 pesos	5,000
12 centavos	20,000	10 pesos	3,000
16 centavos	500,000	20-centavo special delivery	10,000
20 centavos	800,000		

There were also transmitted to the insular government the following stamp books:

2-centavo.....	50,000 books of 24 stamps each.
2-centavo.....	25,000 books of 48 stamps each.
4-centavo.....	50,000 books of 12 stamps each.
4-centavo.....	15,000 books of 24 stamps each.

In addition to the above there have been forwarded internal-revenue and document stamps, all of which were prepared by the Bureau of Engraving and Printing, Treasury Department.

PURCHASE OF SUPPLIES.

While the policy of the Philippine government to encourage Manila merchants to carry larger stocks of merchandise by favoring them with government purchases whenever their prices were not more than 10 per cent in excess of prices at which the government could purchase direct from the United States has curtailed to some extent the purchases made through the Bureau during the past year as compared with previous years, 578 mail requisitions and 62 requisitions by cable were received from Manila during the period covered by this report.

These requisitions were for articles of all descriptions, some of which were unobtainable in the Manila market, while others were obtainable there only at prices too high to justify their purchase. All of the articles called for were purchased and promptly shipped through the agency maintained for this purpose in New York City, and the accounts for the goods and for freight and insurance on same paid by the disbursing agent of the Bureau at Washington. Special attention is directed to the prompt settlement of all accounts for purchases, and as a result cash discounts or net prices based on prompt cash payment are obtained from merchants and manufacturers. There is no doubt but that the Bureau can purchase and deliver at Manila all classes of supplies at less than their cost to Manila merchants, and in this connection the following is quoted from the report of the chief of the bureau of supply of the Philippine government to the governor-general for the fiscal year 1905:

* * * We are still compelled to make many purchases in the United States, either on account of lack of proper competition or because prices demanded are too high. With our present organization it has been clearly demonstrated that we can under buy any of our merchants, and on an outlay of only 1 per cent on the amount of purchase, while 2½ per cent is the least charged by any New York broker for the commercial houses of Manila.

The question thus presented of determining the relative advantage to the government of economy in administration and of fostering local commerce, complicated as it is by the impossibility of discriminating between the bona fide merchant with a stock of goods and the commission broker depending largely on government contracts, is one of delicacy and difficulty.

The Bureau has been compelled to forward the bulk of its freight from New York to Manila in foreign vessels, owing to the lack of vessels of American registry competing for the trade. Shipments from San Francisco and Seattle to Manila have been in vessels of American registry or in Government transports. Wherever the Bureau has been forced to make contracts for shipments by foreign vessels there has been included in the contracts a proviso to the effect that if during the contract period rates as low as or lower than those

stipulated in the agreement should be offered by any transportation company for the freighting of cargo to Manila in American ships the Bureau reserved the right to avail itself of such offer.

The total amount disbursed by the Bureau during the eleven months ended September 30, 1906, for supplies for the Philippine government and for freight, insurance, and miscellaneous expenses of purchase and shipment was \$450,421.50.

NEW YORK OFFICE.

In addition to purchasing and shipping such supplies as are bought by the Philippine government in the United States the New York office of the Bureau has been invaluable in furnishing the bureau of supply at Manila market quotations on supplies of all classes. Without the opportunity thus afforded of keeping in touch from a reliable source with prices in the United States the bureau of supply would be wholly without means of protecting itself from exorbitant prices, owing to the difficulty of securing competition in Manila on goods purchased there. For this reason alone the New York office will more than save the Philippine government the cost of its maintenance for some years to come, even should it be considered advisable to continue making the bulk of purchases from Manila dealers.

The New York office as at present organized consists of 1 purchasing agent and 3 clerks, as against 1 purchasing agent and 5 clerks for 1905.

DISBURSEMENT OF PHILIPPINE REVENUES IN THE UNITED STATES.

The total disbursements made by the disbursing agent of the Bureau from the date of the last annual report to September 30, 1906, amount to \$2,647,066.97, in payment of 3,665 accounts; and the total disbursements since May 20, 1901, the date the disbursing office was established, amount to \$28,655,166.57, in payment of 13,527 accounts. It may be noted that the disbursements for the eleven months ended September 30, 1906, were only \$2,647,066.97, as compared with \$7,982,864.08 for the year ended October 31, 1905. This large decrease is due to the fact that in 1905 two issues of certificates of indebtedness, aggregating \$6,000,000, were redeemed by the Bureau.

INSPECTIONS.

The disbursing office of the Bureau was inspected by an inspector-general of the Army in December, 1905. The books and accounts were found correct and the balance with the several depositaries, as well as the cash on hand, were verified.

OCEAN-CARRYING TRADE.

In the foreign trade of the islands the British flag continues to lead all competitors, handling on the basis of value about 60 per cent of imports and 75 per cent of exports. The Spanish flag has second rank in both incoming and outgoing freights in consequence of the regular service furnished by the Spanish mail steamship line plying between Liverpool and the Philippines. The German flag is third,

while American vessels are in the fourth rank, carrying about 9 per cent of the total imports and a smaller percentage of the exports.

Just to what extent the distribution of the carrying trade of the islands by flags will be affected by the recent abolition of tonnage dues is unknown. The tendency of these port charges has been to make Manila a branch-line station to the grand-junction supremacy of Hongkong in the Orient and to foster communication with the outside world through this port. With free entry established at Manila for all comers, whether with large tonnage or small cargoes, direct shipments may be expected to increase. With a harbor and port equipment, the finest in the Orient, nearing completion at Manila, this legislation, which opens the Philippines freely to the main lines of ocean communication, bids fair to be followed by important carrying-trade readjustments as well as much improved shipping facilities.

In view of the small percentage of the United States trade with the islands carried in American vessels the further suspension of the United States coastwise laws until 1909, that otherwise under the terms of the Frye bill would have become operative in July, 1906, may be considered fortunate, especially for the American export trade to the islands. Whatever benefits might have accrued to American shipping through increased freights, there was well-grounded fear of a serious discouragement to trade between the United States and the islands and a prejudicial effect on American exports exposed to the competition of countries enjoying lower freight rates.

COMMERCIAL STATISTICS.

Monthly commercial returns continue to be received from the islands and compiled for record and reference, though it has been deemed expedient to publish this data less frequently. To this end the Summary of Philippine Commerce with the issue of December, 1905, was discontinued as a monthly publication. Its first issue on a quarterly basis has recently appeared, embracing trade statistics for January, February, and March, 1906, and in the future it will cover quarterly periods.

Official returns for the fiscal year 1906 show an excess of exports over imports of \$6,117,868, but, compared with the previous year, present reduced values in both—imports being less by \$5,077,084, while exports show a decline of \$435,481. The following comparative table gives the islands' foreign trade by countries:

Countries.	Imports.		Exports.	
	1905.	1906.	1905.	1906.
United States	\$5,761,498	\$4,883,898	\$15,668,026	\$11,579,411
United Kingdom	4,848,893	5,224,020	8,291,038	7,499,627
Germany	1,498,898	1,360,961	129,610	459,426
France	832,308	833,858	1,491,753	2,708,328
Spain	1,931,359	1,787,310	1,434,126	1,803,055
Italy	152,802	197,865	59,316	71,280
China	2,942,307	2,654,214	1,008,252	1,705,980
Hongkong	207,703	304,291	2,359,958	3,658,781
Japan	1,018,437	657,386	548,607	532,245
British East Indies	2,007,514	1,515,042	624,312	663,487
French East Indies	5,968,614	3,854,217	11,305	6,335
Australasia	1,365,662	1,523,668	445,741	462,062
Other countries	2,340,855	1,552,541	280,671	772,187
Total	30,876,350	25,799,266	32,352,615	31,917,134

IMPORTS.

The leading item in reduced imports is rice, and the heavy decline in foreign purchases of this staple foodstuff of the islands from \$7,456,738 in 1905 to \$4,375,500 in 1906, indicating as it does an increase in local production, may be considered a very satisfactory feature of the returns. These imports show diminishing values in recent months and a total for the fiscal year the smallest since 1900. There is thus an approximate return to conditions existing prior to the advent of rinderpest and insurrection, and a practical supply of the islands' needs through home production seems to be indicated in the near future.

A further factor in diminishing imports of 1906 is to be found in the effect of the passage of the new tariff and the consequent stocking up in anticipation of increased rates. This was notably so in the case of rice and opium, imports of which were exceptionally heavy in the months of April and May, 1905, and thus inflated the total of that year with what under normal conditions should have figured in the imports of the fiscal period of 1906.

But eliminating the actual reduction of \$3,081,238 in rice and \$409,919 in opium imports there remains a diminished trade for 1906 to the value of \$1,585,927 that does not appear to be entirely explained by disturbances incident to the inauguration of a new tariff, and must be due in a measure to unsatisfactory conditions in the import trade and to the reduced purchasing power of the islands referred to in the report of last year.

Among other imports showing a heavy decline, illuminating oil is the most conspicuous, with a shrinkage in value of \$434,580, while the half-million-dollar trade of 1905 in both coal and fresh beef is less by \$107,000 in the former and by \$80,000 in the latter commodity. Purchases of beer, distilled spirits, and wines drop off considerably, and the total beverage trade, with an aggregate value of nearly \$800,000 in 1905, is \$143,000 less in 1906. Structural materials, as well as the miscellaneous schedule of iron and steel manufactures, show heavy declines, and the same is true of electrical and other machinery, their combined total representing a shrinkage of more than half a million, while cement imports are less by \$40,000. The reduction of more than \$60,000 in refined-sugar purchases may be considered in the light of a gain, being brought about as the result of local production by the Malabon refinery, recently put into operation after remaining idle for a number of years.

The six and three-quarter million dollar cotton trade for the year furnishes the most noteworthy instance of increased imports, with a gain of \$324,000. Imports of wheat flour reach a value of \$824,039 and are larger by nearly \$100,000 than in 1905, while approximately the same increase in value is found in the schedules of agricultural implements and of scientific instruments and apparatus.

With the exception of the French East Indies the participation of the United States in the import trade of the islands has suffered to a greater extent than any other country, for, with a reduction of but about 16 per cent in total imports, purchases of American goods fell off nearly 25 per cent, or an aggregate of \$1,427,605.

The most conspicuous item in this decline in American trade is to be found in that of cotton cloths, which represents one-third of the

total. This is to be attributed to the unfavorable operation of the cotton textile schedule in the tariff of 1905, amounting in effect to a discrimination against this important American manufacture in the import trade of the islands. The fiscal year 1906 about covers the period of operation of this schedule, under which imports of American cloths have declined from \$700,000 to \$224,000. The discrimination against American cotton goods was more than corrected by the act of Congress approved February 26, 1906.

Other important losses in American trade are to be found to the extent of \$171,000 in illuminating oil and about the same amount in wheat flour—a decline in the latter case in the face of increased total imports that serves to emphasize the effect of the active competition which American wheat is meeting at the hands of Australia. In the reduced beer trade the United States is also a loser to the extent of \$76,000. American electrical machinery still holds the market, but a market reduced 50 per cent in its demands, in which the American loss amounts to \$100,000. On the other hand, in the increased imports of agricultural implements and of scientific instruments and apparatus, under which are included telephones, etc., the bulk both of the trade and the increase is credited to the United States, American gains in these schedules amounting to about \$160,000.

EXPORTS.

TOTAL TO ALL COUNTRIES.

Articles.	1905.		1906.	
	Quantity.	Value.	Quantity.	Value.
	<i>Tons.</i>		<i>Tons.</i>	
Hemp.....	128,564	\$22,146,241	110,899	\$19,446,769
Sugar.....	111,849	4,977,026	123,790	4,863,865
Copra.....	36,963	2,085,355	65,112	4,043,115
Tobacco.....	.....	1,999,193	.....	2,389,890
All other.....	.....	1,134,800	.....	1,173,495
Total.....	.....	32,352,615	.....	81,917,134

TOTAL TO THE UNITED STATES.

	<i>Tons.</i>		<i>Tons.</i>	
Hemp.....	72,196	\$12,954,515	61,068	\$11,168,226
Sugar.....	56,948	2,618,487	7,187	260,104
Copra.....	202	14,425	.....	.....
Tobacco.....	.....	6,820	.....	81,008
All other.....	.....	73,779	.....	120,078
Total.....	.....	15,668,026	.....	11,579,411

The \$435,000 decline in exports is chiefly to be found in the item of hemp, though there are also reductions to be found in manufactured tobacco and sugar. Increased values are to be noted in copra and unmanufactured tobacco, the other leading items of export.

The predictions made concerning the effect of the disastrous typhoon of September, 1905, on hemp production are borne out by a decrease of 18,000 tons in exports to be found in the latter months of the period under consideration. The average price, though somewhat better than in 1905, has been by no means sufficient to offset the reduced quantity, and a deficit of \$2,699,472 is shown in export values credited in 1906 to this normally most prosperous of the islands' industries.

Copra exports to a large extent counterbalance this decline in hemp by an increase of \$1,947,760 over the \$2,000,000 trade of 1905. The average price per pound has also been slightly higher in 1906. France is still the leading purchaser and is credited with 60 per cent of the total.

Sugar exports amount to 123,000 tons, a gain of 12,000 tons over those of 1905, but in consequence of reduced prices yield a decreased value of \$113,161. Of the total quantity Hongkong takes 60 per cent and China about 30, though in 1905 these markets were subordinated to shipments to the United States aggregating over half the islands' output.

Unmanufactured tobacco exports show a value of \$1,458,658 and an increase of \$453,134. Export quantities increase 5,000,000 pounds and represent a recovery from the much reduced figures of 1905. Of this increase Austria-Hungary appropriates the greater part and becomes a prominent competitor with Spain for the Philippine leaf, these two countries taking about 80 per cent of the total. Manufactured tobacco exports decline from a value of \$993,669 to \$931,232, with Hongkong the leading buyer.

With the United States and the United Kingdom consuming the great bulk of Philippine hemp, the more than two and a half million dollar reduction in these exports previously referred to has been chiefly at the expense of the former, and this large item, together with reduced purchases of sugar, explains the shrinkage of \$4,088,615 in exports to the United States to be found in the statistics of 1906.

RECEIPTS AND EXPENDITURES.

The amount of funds in the Philippine treasury on June 30, 1906, available for purely administrative purposes was \$3,087,345.42, exclusive of funds derived from refundable collections and bond issues.

INSULAR.

Insular net revenues for the fiscal year ended June 30, 1906, excluding all articles of a refundable character.	\$11, 468, 067. 16
Net ordinary insular expenditures, including interest on bond issues, and contributions made to the city of Manila, and to the provinces in lieu of land taxes, cancellation of loans to provinces, and contributions for provincial administrative purposes.....	10, 146, 779. 12
Excess of insular revenues over expenditures	1, 321, 288. 04
	<u>11, 468, 067. 16</u>

PROVINCIAL.

Provincial revenues, including the contributions received from the insular government and from the Congressional relief fund.....	\$4, 509, 572. 02
Ordinary provincial expenditures, construction and repair of roads and bridges, secondary schools, the proportion of the provincial receipts accruing to municipalities, which approximately represent the cost of the municipal governments, including primary schools	4, 335, 091. 32
Excess of provincial receipts over expenditures	174, 480. 70
	<u>4, 509, 572. 02</u>

CITY OF MANILA.

Revenues collected by the city, inclusive of the amount contributed by the insular government under provisions of the charter of the city	\$1, 995, 289. 85
Ordinary expenditures of the city, including interest and sinking fund charges on sewer construction bonds.....	2, 492, 392. 23
Excess of expenditures over receipts.....	497, 102. 38

In addition, \$271,707.02 was disbursed for insular purposes from the Congressional relief fund. There were also disbursed funds, which may be designated bond issues, as follows:

Public works, harbor, and light-house improvements	\$1, 344, 813. 87
Sewer and water works constructions	300, 310. 17
Completion of purchase of friar lands	3, 621, 660. 34

LAW OFFICER.

The work of this office has increased in volume during the last year. Not only has it included the consideration and decision of questions arising in the Philippine Islands, but also many civil matters presented for the consideration of the Secretary of War. The law officer has, by direction of the Secretary of War, until a recent date, been the legal adviser of the Isthmian Canal Commission, and as such has passed on contract and other questions such as arise in the operation of any large corporation.

The Alaskan Acts and Treaties were for the first time compiled by the law officer and published as Senate Document No. 142, Fifty-ninth Congress, first session, and by him, at the request of Senators and Representatives, have been drafted a number of bills, covering subjects connected with foreign relations and noncontiguous territory under the jurisdiction of the United States.

DIVISION OF INSURGENT RECORDS.

The translation and preparation for printing of the captured Philippine insurgent records were continued and completed. The work as it now exists consists of five volumes, the first containing a sketch of the Spanish occupation of the Philippines and events antecedent thereto and leading up to Aguinaldo's return in May, 1898. This volume with the exhibits which accompany it will make about 406 pages. The second volume consists of a narrative of events in the Philippines from the time of Aguinaldo's return to the close of the insurrection. This narrative with the index will make some 641 pages. As it now stands the exhibits explanatory to Volume II are contained in three volumes of 484, 535, and 556 pages, respectively.

These volumes are now in galley proof, have been proof read and corrected, and are ready to be sent to the printer to be divided into page proof.

THE PHILIPPINE CIVIL SERVICE.

Notwithstanding the hearty cooperation of the United States Civil Service Commission during the year there has been experienced considerable difficulty in securing a sufficient list of eligibles for the more technical positions, principally surveyors and civil engineers, and a consequent delay, extending occasionally over several months, in

making appointments to fill vacancies in those positions in the insular service.

From November 1, 1905, up to September 30, 1906, there were appointed 109 teachers and 50 persons to other positions in accordance with the civil-service rules, and 16 former employees who had returned to the United States were reinstated. There were also appointed 43 third lieutenants of constabulary, for which position no civil-service examination is held in the United States.

On September 30 there were 37 positions vacant, appointment to which was delayed on account of lack of suitable eligibles. This number included 3 assistant foresters, 14 surveyors, and 5 engineers, as well as chemists and stenographers.

TRANSPORTATION OF CIVIL EMPLOYEES AND MEMBERS OF FAMILIES.

The transportation arrangements for the calendar year 1905 with the several transcontinental lines of railroad, and the steamship lines operating between San Francisco and Seattle and the Orient, mentioned in the last report, were renewed on substantially the same basis for the current year. The Bureau has been able to utilize the army transports more than in the previous year owing to the increased frequency of their sailings. During the year the transportation of 528 persons from their homes in the United States to the Philippines has been arranged for by the Bureau.

FILIPINO STUDENTS IN THE UNITED STATES.

There are now 184 Filipino students being educated in the United States by the Philippine government under the supervision of the Bureau. During the past year three students have been returned to the islands, two on account of ill health and one by reason of his misconduct. Only nine new appointments have been made during the past fiscal year. One of this year's appointees was already in this country studying and received his appointment here. Eight others arrived in San Francisco on September 9, 1906, on board the Pacific Mail Steamship *Siberia*.

The following is the list of schools attended by the Philippine government students and the number at each institution:

Washington, D. C.:		Trenton, N. J.:	
Georgetown University	6	State Normal School	7
George Washington University	1	Poughkeepsie, N. Y.:	
Catholic University	1	Eastman Business College	1
Coast and Geodetic Survey	2	Boston, Mass.:	
National University Law School	3	Massachusetts Institute of Technology	3
Philadelphia, Pa.:		Worcester, Mass.:	
University of Pennsylvania	2	Holy Cross College	1
Woman's Medical College	2	Lowell, Mass.:	
Drexel Institute	3	Lowell Textile School	1
Pennsylvania Museum School of Art and Design	1	Oswego, N. Y.:	
Photo-engraving department, Philadelphia Press	1	State Normal School	3
Villanova, Pa.:		Ithaca, N. Y.:	
Villanova College	1	Cornell University	6
West Chester, Pa.:		Oberlin, Ohio:	
State Normal School	5	Oberlin Conservatory of Music	1
		Cincinnati, Ohio:	
		Cincinnati University	3

Columbus, Ohio:		Iowa City, Iowa:	
University of Ohio.....	8	University of Iowa	8
Lansing, Mich.:		Ames, Iowa:	
State Agricultural College.....	2	State Agricultural College.....	8
Lafayette, Ind.:		De Kalb, Ill.:	
Purdue University.....	10	State Normal School.....	5
Bloomington, Ind.:		Urbana, Ill.:	
Indiana University	5	University of Illinois	12
Notre Dame, Ind.:		Normal, Ill.:	
Notre Dame University	8	State Normal University.....	5
St. Mary's Academy.....	2	Macomb, Ill.:	
Chicago, Ill.:		State Normal School.....	6
Armour Institute.....	2	Manhattan, Kans.:	
Chicago University	9	State Agricultural College.....	8
College of Physicians and Sur- geons.....	9	Boulder, Colo.:	
Rush Medical College.....	2	University of Colorado.....	1
Madison, Wis.:		Colorado Springs, Colo.:	
University of Wisconsin.....	9	Colorado College	1
St. Paul, Minn.:		Riverside, Cal.:	
St. Catherine's Academy.....	2	City High School.....	1
Lincoln, Nebr.:		New Haven, Conn.:	
University of Nebraska	6	Yale University	1

With the exception of the two students sent home during the past year on account of illness, one with epilepsy and the other with tuberculosis, and a third who has been obliged to undergo an operation for tubercular glands in the neck, there has been no serious case of illness among the government students.

During the summer vacation just passed almost one-half of the students have been engaged in some work other than summer school work, the remainder having attended the summer sessions of their respective schools. During the regular school year, and also during the summer session, the Filipino students have continued making creditable progress in their work, and almost without exception their personal conduct has been exemplary.

The superintendent of Filipino students, Mr. William Alex. Sutherland, has secured from the various institutions more scholarships than have been needed by the government students, and these he has assigned upon application to private Filipino students, who are being educated at the expense of their families. It is a pleasure to note that almost every school that has been applied to for scholarships for Filipino students, either government or private, has generously granted the scholarships needed.

The results of this movement to educate Filipino students in the United States can not as yet be measured, but the earnestness and thoroughness with which the great majority of the Filipino students are prosecuting their work in this country promise that those benefits contemplated by the inaugurators of the movement will be abundantly secured.

CORRESPONDENCE AND RECORDS.

The correspondence received during the year has been large in volume and quite as varied in nature as during the preceding years. The card record and index system adopted upon the organization of the office has been continued in use and has proved adaptable to the most complex cases, affording a sufficient record and quick reference to the files with a minimum expenditure of labor.

The outgoing correspondence has been equally varied in its character and large in volume. The use of mimeograph forms mentioned in the last report has been continued with advantage.

GAZETTEER OF THE PHILIPPINE ISLANDS.

The new and revised edition of the Gazetteer, referred to in the last annual report, has now been completed. Many important changes have taken place in the Philippine Islands since the first edition of the Gazetteer was published. The new work will contain accurate and detailed information as to these changes, and will correct inaccuracies in the original work due to the lack of information and the necessity of haste in its preparation. This Gazetteer has been found to be of great use, and the publication of the new edition now ready is earnestly recommended.

PUBLICATIONS.

The many letters received by the Bureau, requesting information on specific subjects, have made apparent the need for various publications. The available data necessary in answering these inquiries being scattered through many different documents necessitates the sending out of a mass of publications from which the information on the given subject must be weeded. As the stock of these documents is in many cases almost exhausted, the assembling of the information therein contained under various heads has been deemed advisable, and the following pamphlets have been completed in the hope that their publication may be authorized as soon as possible to supply the constant demand.

“WHAT HAS BEEN DONE IN THE PHILIPPINES.”

[Second edition.]

This sets forth in succinct form a comprehensive review of what has been accomplished in the administration of practical affairs by the civil government of the Philippine Islands. The first issue appeared in 1904 as Senate Document No. 304, of the second session of the Fifty-eighth Congress, and covered the period extending from the arrival of the first Philippine Commission in the islands down to April, 1904. The present issue, ready for printing, covers the period extending from the latter date to about July, 1906.

“COMPILATION OF ACTS OF CONGRESS, TREATIES, AND PROCLAMATIONS RELATING TO INSULAR AND MILITARY AFFAIRS.”

[Second edition.]

In the last annual report of this Bureau reference was made under the head of “Publications” to Senate Document No. 105, second session of the Fifty-eighth Congress, consisting of a “Compilation of Acts of Congress, Treaties, and Proclamations Relating to Insular and Military Affairs,” prepared by the compilation division of this Bureau, and to an appendix that had been prepared. This appendix or supplement covers the period from March 4, 1903, to March 4, 1905. Later it was decided to add Alaska and the Isthmian Canal Zone, and as thus enlarged

this work has been completed and is now ready for the printer. It will be noticed that in this supplement the term "noncontiguous territory of the United States," has been substituted for "insular possessions," the former term being deemed more appropriate to the present scope of the work. There is also being prepared in the compilation division a complete list of all cases relating to the insular and isthmian possessions of the United States, and to Cuba, which have been heard in the Supreme Court of the United States between the dates of January 1, 1898, and March 5, 1906, and in which opinions have been handed down. The syllabus and opinion in each case will be given.

The following will be completed in the near future:

ABACÁ (MANILA HEMP).

This compilation will comprise a description of the plant; method of preparing the fiber for the market; names of the provinces having land suitable for raising abacá, and remarks of provincial governors on same. The necessity for a pamphlet of this description is obvious, as abacá is the most important of the products of the Philippines, and a more intimate knowledge of the possibilities for the development of this industry, together with improved methods for stripping the hemp, assures a great increase in the production of this valuable fiber.

FORESTS AND FORESTRY.

All data relating to this subject contained in the different Commission reports and other documents in the library of 155 volumes relating exclusively to the Philippine Islands, is being collected for a pamphlet to meet the demand for information which otherwise can not be satisfactorily given.

MAPS.

The Insular Bureau's collection of maps of noncontiguous territory has been filed in appropriate cases and a card index to date completed. There are on hand, of different issues, 238 charts, 137 blueprints, and 75 maps, mounted and unmounted, which with their duplicates, represent a total of 2,465 maps to be cared for.

They are now all in good order, carefully arranged and readily available.

DISTRIBUTION OF DOCUMENTS.

There has been mailed in answer to requests 67,375 documents and publications concerning insular affairs and noncontiguous territory. An effort has always been made to place the same where they would reach the greatest number of readers and be of the most value in disseminating information.

In addition to the documents mentioned 2,000 copies of the Summary of Commerce of the Philippine Islands have been mailed monthly up to January 1, 1906, since which date it has been issued quarterly.

LIBRARY OF INSULAR DOCUMENTS.

Since the last report the library of insular documents and publications has been increased by the addition of 120 volumes, the compilation of which has required close attention to current printing and unceasing vigilance in collecting. The scope of this library has also been enlarged by the compilation of documents relating to Alaska and the Isthmian Canal Zone.

INDEX.

The documents of the Fifty-eighth Congress and publications collected since the last report, embracing 46,243 pages in 86 volumes, have been indexed with 8,130 references, in an appendix to the index mentioned in former reports.

This appendix is ready for printing, and its usefulness and value are constantly being demonstrated. Unfortunately the request of the Secretary of War for the publication of this index and its appendix as a Congressional document was not finally acted upon by Congress.

THE REPUBLIC OF CUBA.

When on September 29, 1906, it became apparent that the efforts of the special commissioners of the President to Cuba to establish a condition of peace and order in that Republic without the exercise of the power and authority of the United States must fail, and the Secretary of War had by authority of the President announced the establishment of a provisional government under the administration of the United States, preparations were made for the performance of such duties in connection with that government as might be assigned to this Bureau.

On that date three interpreters and clerks of the Bureau were started for Habana, and on October 1 the acting chief of the Bureau left Washington for Habana. On October 23 the following Executive order was published, defining among other things the functions of this Bureau in connection with the provisional government of Cuba:

It is hereby ordered that the temporary administration of the government of the Republic of Cuba, in virtue of the requirements of article 3 of the treaty of May twenty-second, one thousand nine hundred and three, shall be conducted in Habana by the provisional governor, subject to the supervision of the Secretary of War; and all business in relation thereto in this country will be transacted in the Bureau of Insular Affairs of the War Department, where it will be made a matter of official record.

At present but two of the employees of the Bureau remain in Cuba, and they will shortly return to Washington unless transferred for service under the Cuban government.

RANK OF CHIEF OF BUREAU.

By an act of Congress approved June 25, 1906, the chief of the Bureau of Insular Affairs was given the rank, pay, and allowances of a brigadier-general. This change, strongly recommended by the Secretary of War, makes uniform the rank of the chief of this Bureau with that of the other bureaus of the War Department.

ORGANIZATION AND PERSONNEL.

Capt. Frank McIntyre still continues on detail as assistant to chief of Bureau, and the civilian force consists of the law officer, 62 clerks, 11 messengers, laborers, and charwomen, the total salaries aggregating \$87,000.

Capt. John R. M. Taylor, Fourteenth Infantry, who, since May, 1902, has been in charge of the compilation of insurgent records pertaining to the insurrection of the Philippine Islands against the United States, having reported the completion of his duties, was, on September 5, 1906, relieved from duty in the Bureau in order to join his regiment. It is hoped that the very satisfactory results of Captain Taylor's labors may be published for general use.

Of the force of the Bureau, two continue on leave of absence without pay as assistants to Col. George R. Colton, collector and general receiver of customs in Santo Domingo and another accompanied, during the present year as its official translator, the United States delegation to the Third International Conference of the American States at Rio de Janeiro, similar leave having been granted him for this purpose.

During the year the Bureau has lost 6 employees by transfer or resignation.

The organization of the Bureau as shown in last year's report having proved efficient, no change has been made therein.

Respectfully submitted.

FRANK MCINTYRE,
Captain, Nineteenth United States Infantry,
Acting Chief of Bureau.

The SECRETARY OF WAR.

**REPORT OF THE PHILIPPINE COMMISSION
TO THE SECRETARY OF WAR.**

ANNUAL REPORT OF THE PHILIPPINE COMMISSION TO THE SECRETARY OF WAR.

MANILA, P. I., *September 15, 1906.*

SIR: The Philippine Commission has the honor to submit its seventh annual report, covering the fiscal year 1906, from July 1, 1905, to June 30, 1906, inclusive. The report is accompanied by the reports made to the Commission by the governor-general, the secretary of the interior, the secretary of finance and justice, the secretary of public instruction, and the secretary of commerce and police.

The Commission arrived in Manila on the 3d day of June, 1900, and, desiring to make as early a report to the Secretary of War as was practicable, made its first report in November, 1900, covering the brief period from June to November. From this fact arose a condition that has led the Commission heretofore to make an annual report covering parts of two fiscal years. The result has been unsatisfactory in that clearly defined periods were not outlined and that the reports were forwarded to the Secretary of War at too late a date to be available for his use prior to the commencement of the December session of Congress. It has, therefore, been determined that all reports of the governor-general and of the heads of departments to the Commission, and of the Commission to the Secretary of War hereafter should cover the fiscal year, and only such later periods as might be specifically stated. This report will therefore to some extent overlap the last preceding one by the Commission, but will not repeat details of transactions therein covered.

CONDITIONS AS TO PEACE AND ORDER.

In the vicinity of Manila.—In our last annual report it was stated that the situation in the provinces of Cavite and Batangas had become such that it had been deemed advisable to invoke the aid of the military authorities in the restoration of good order, to suspend the writ of habeas corpus, and to enter upon a vigorous campaign against the outlaws who had for many years terrorized the inhabitants of those provinces; that a vigorous campaign had been entered upon; that

for the protection of the people there had been a reconcentration of the inhabitants from the remote barrios into the poblaciones, or settled portions of the communities, and as a result thereof that more than 500 firearms had been captured by the governmental forces, consisting of the insular constabulary and companies of the Regular Army and scouts detailed for that purpose; that so many of the outlaw leaders and their followers had been killed or captured that the troops of the Regular Army were deemed no longer necessary and were withdrawn from the provinces; that the suspension of the writ of habeas corpus had been revoked because the people, being relieved from the terror inspired by the outlaw leaders, were no longer disposed to harbor them and were willing to give information as to their whereabouts. It was also stated that one of the most desperate of the outlaw leaders, Felizardo, had finally been killed. This statement, however, was afterwards found to be erroneous. Subsequently he was killed by some of his own followers who were in the employment of the insular constabulary, and his body was brought to Manila within a few hours and an inquest held over it by competent authority appointed by the governor-general, and thirty or forty witnesses, among them many of his former followers, the wife of Governor Trias, whom he had abducted and long held in confinement; Governor Cailles, of the province of Laguna, under whom at one time Felizardo had been a lieutenant, and many of his old neighbors, were examined, all of whom without exception instantly identified the body as that of Felizardo. The remaining outlaws in the provinces of Bulacan, Rizal, Batangas, and Cavite were in hiding, and among them were some of the most wicked and desperate men ever at large in the Philippine Islands, including Sakay, the self-styled president of the Filipino republic, Carreon, his vice-president, Villafuerte, his lieutenant-general, Montalon, who styled himself the "lieutenant-general of the army of liberation" and long the leader of the outlaws in the provinces of Cavite and Batangas, and De Vega, with small bands of men and a few guns. As long as these men remained at large they constituted leaders to whom the lawless and disaffected might resort and the seeds of further disturbance were constantly available.

In the month of May, 1906, Colonel Bandholtz, who, in the absence of General Allen, was the acting director of constabulary, entered into negotiations with Dr. Dominador Gomez, of Manila, who had long been suspected of being in league with the outlaws in the provinces surrounding the city, by virtue of which Gomez undertook to bring in the bandit chiefs above referred to. Within two months, more or less, he secured the surrender of all the outlaws above named, without other promises or inducement than that they should be protected in coming to Manila and should receive a fair trial.

Before the arrests were made in the province of Cavite each of the outlaws signed and swore to an affidavit stating that his surrender was unconditional and had been made without any promise on the part of the government than that the person surrendering should receive a fair trial. Their trials were ultimately assigned by the court for the 17th day of September, at Cavite, before Judge Villamor, the Filipino judge of the district in which their crimes had mainly been committed—nearly all of them have been guilty of shocking murders and mutilations, such as are detailed in our last annual report. These surrenders in a large degree complete the tranquilization of the whole of the island of Luzon, except as hereinafter stated. Not all the guns held by the followers of these robber chiefs have been surrendered, but the number not surrendered is very small and they are gradually being brought in, one by one, to the constabulary officials. The effect of these surrenders has been immediate and marked in increasing the area of land under cultivation in the two provinces of Cavite and Batangas, the people no longer fearing robbery or molestation while in pursuit of their employments or the devastation of their homes, the carrying away of their wives and daughters, and the destruction of all the fruits of their industry at the hands of outlaws. Gen. Emilio Aguinaldo has himself since these surrenders leased from the bureau of lands 500 hectares of land in the remote portion of one of the "friar" estates, in a district close to the mountains hitherto infested by the outlaws. He himself states that he believes now that there will be very little trouble from this source. For several years past the products of his hacienda near the town of Imus, in the province of Cavite, have been but little, owing to the difficulty of securing labor, by reason of the fear of ladrones and also by reason of the reconcentration which it had been necessary to enforce in some of the towns, as stated in our former report.

In north central Luzon.—For some years an outlaw named Felipe Salvador has posed as a prophet, wears long hair, and conducts elaborate and constant religious exercises prior to and, as far as possible, at the time of committing the many murders and depredations of which he has been guilty. For a considerable time he has been hiding in the swamps in the provinces of Bulacan and Nueva Ecija and in the forest fastnesses of Mount Arayat. For a year or two his propaganda has been unobtrusive, but during the spring of 1906 he became more active in reviving the zeal of his fanatical followers who constitute the "Santa Iglesia," or "Holy Church Organization." His adherents are drawn largely, or almost wholly, from the most ignorant and superstitious people. They are very devout and prayerful in their religious observances, but in many of their rites indecency and licentiousness prevail. Salvador has been able to gain a great reputation as a prophet among his people by obtaining, through the

reports of the weather bureau at Manila, forecasts of the weather such as to enable him to inform his people beforehand of the approach of typhoons and floods, so that they believe he possesses divine and prophetic power. By such means as these and by exciting the religious fervor of his devotees he has been able to extract contributions from them to keep himself and his immediate followers well supplied with all the necessities of life. A prophet who could threaten with typhoons those who did not contribute at his request was a most potent persuader. A large number of people in the provinces of Bulacan, Nueva Ecija, Pampanga, Tarlac, and Pangasinan, who are quiet and peaceful, still adhere to Salvador and furnish contributions for him. But fanatics of this character are easily carried beyond the attitude of mere assistance and support into acts of violence in behalf of their religious chief.

On April 16, 1906, a band of Salvador's followers, just at evening, quietly entered from various directions the municipality of Malolos, the capital of the province of Bulacan, and at a concerted signal made a rush upon the barracks of the constabulary there stationed, killed a sentinel on guard, and captured 14 guns. At nearly the same date attempts were made to raid several other constabulary cuartels, evidently in the hope of gaining prestige by a number of successes. None of these movements were successful except that at Malolos. Since the affair at Malolos, Salvador's band has been met by the constabulary near Hagonoy, in the province of Bulacan, and at other places, two of his principal leaders and many of their followers have been killed, most of the guns that had been taken at Malolos have been recaptured, and the band has been scattered. There has been no activity whatever on the part of Salvador or of any of his followers since their defeat at Hagonoy. In fact, Salvador himself has been negotiating for a surrender, but is inclined to wait for a time in order to see the fate that through the courts may befall Sakay, Montalon, and the others who had already surrendered.

In the mountainous regions of northern central Luzon, inhabited mainly by Igorots and other non-Christian or uncivilized tribes, there have been peace and good order, except occasional disturbances between different municipalities or settlements of Igorots, who have always been accustomed to engage in head hunting in reprisal for heads before taken by the inhabitants of other municipalities. Very little disturbance of this kind, however, has occurred.

It is therefore safe to say that the island of Luzon, embracing the provinces of Isabela, Cagayan, Lepanto-Bontoc, Benguet, Ilocos Norte, Ilocos Sur, La Union, Pangasinan, Nueva Ecija, Zambales, Pampanga, Tarlac, Bulacan, Bataan, Rizal, Cavite, Batangas, Tayabas, Ambos Camarines, Albay, and Sorsogon, is free from disorder and lawless bands, aside from the center of disturbances which Felipe

Salvador may constitute, and that never before within the history of modern times has this great island been in so peaceful and orderly a condition as now. The agriculturist may sow and gather his harvest in safety, and the traveler may come and go throughout practically every part of the island unguarded and as safe as he would be in any of the rural regions of the United States.

The maintenance of good order depends fundamentally and in the end upon the cooperation of the people. That cooperation has been very largely secured. The people do not wish for lawlessness; they long for tranquillity. They are ready, in general, to give the earliest possible information as to the formation of bands of robbers and to act as guides to aid in securing the extermination of men whom they now regard as their common enemies. It is useless to expect the cooperation of the mass of the people in any region where they look with more fear upon the punishment that will be imposed upon them by outlaws if they aid the authorities than upon any that the lawful authorities may inflict upon them for aiding or furnishing supplies to the lawless. The pressure of the principal and most cruel leaders of the outlaws has now been removed, and the provincial governors, who in the main are efficient and loyal and desire good order, are able to secure the cooperation of their people and thus to maintain good order. It is impossible by mere repression alone to secure tranquillity; while force must be available and used when necessary, yet the sympathetic cooperation of the people is the indispensable requisite to the maintenance of established order and of all opportunity for progress. It is believed that such cooperation throughout the islands, except in the provinces of Leyte and Samar, to be hereafter referred to, has been at this time more largely secured than ever before.

Before leaving this statement of conditions in the island of Luzon it is proper and indeed necessary to say that the relations between the insular constabulary and native governors, or other officials, are far better than they were one year ago. Undoubtedly some abuses have been practiced by members of the constabulary—that is, by Filipinos upon Filipinos; in all cases, so far as known, without the knowledge or approval of their superior officers. On the other hand, the drastic measures that were necessarily taken in Cavite and Batangas, in which the constabulary had to perform their part, resulted in ill feeling and in charges of abuse, some of which were warranted and many unwarranted and baseless. During the year many new and well-educated officers of high character have taken commands among the constabulary. Special efforts have been made to investigate every charge of abuse and to punish those proven guilty. Likewise the leading officers in the constabulary, without exception, have loyally attempted to cooperate with the native governors and other native officials, and their advances have been met with cor-

diality and appreciation. It is a remarkable fact, which appears from the report of the executive secretary, that practically every provincial governor in the islands, in his report for the current year to the governor-general, who speaks of the constabulary at all, speaks in grateful terms of the aid which this force had rendered in the maintenance of good order, and of the friendly and kindly relations existing between the constabulary and the native provincial and municipal officials.

To Colonel Bandholtz belongs the credit of securing the surrender of the outlaws above named, and likewise by his conduct and knowledge of native character he has been most useful in promoting the existing good feeling between the constabulary and the native officials. General Allen, the director of the constabulary, has been absent on leave during a considerable portion of the year, which is also true of Colonel Baker, one of the assistant chiefs. All the assistant chiefs have rendered most efficient and valuable service, and the constabulary, although now reduced in number from upward of 7,000 to less than 5,000, is doubtless a more valuable agency in the maintenance of order than ever before, due in a large part to the establishment of better relations between them and our native officials.

Conditions in Samar.—In our last report it was stated that the demands upon the constabulary in other directions and the conditions in Samar had been such that the United States troops had been requested to occupy towns in the northern and northeastern parts of Samar, and had done so; that operations against the pulahanes were conducted by the regular troops, scouts, and constabulary, and that it had been necessary to open trails and locate posts in the interior and nearer to the pulahan country, so that bases for operations could be there established. The difficulties of operating in the island of Samar with its dense vegetation, morasses, mountain streams, and tremendous heavy and frequent rains throughout the whole year are also there stated and need not be here repeated. The causes of the difficulties are also there set forth, being mainly the extortion that was practiced by the traders and their representatives in the coast towns upon the ignorant hill people and producers of hemp, in which the island is very rich, and which is its principal commodity; an extortion and oppression such that the producer received very little of the proceeds of his toil, and if he made complaint was often arrested upon some false charge, imprisoned, and robbed of his hard-earned products. Capt. George Curry, former governor of the province of Isabela, in northern Luzon, had been placed in charge and had proved to be most successful in acquiring the confidence of the people and causing them to become contented. After his transfer to Samar many of the pulahanes surrendered and brought in their guns, and it

was believed, at the date of our last report, that the worst was over and that a just and humane policy would bring its proper results. In some of the more backward and undeveloped regions a special form of local government was adopted, simple, strong, and paternal in its character and intended to develop and civilize the people and to furnish to them protection for their persons and property.

Unfortunately not all the results hoped for have yet been realized. Governor Curry made remarkable progress in securing the sympathy and cooperation of the people; he met them in their own localities, satisfied them in the main that he was their friend, and he is confident, as are we, that the great mass of the people in that province are law-abiding and earnestly wish for the maintenance of good order; but a long-existing feud between hill or mountain people on the one side and those of the shores or lowland on the other, and a long series of oppression by the petty officials and traders, can not be overcome in a few weeks or in a few months. Governor Curry, however, had made such progress that he was able to announce, in March, 1906, that the last of the pulahan leaders were to make their formal surrender on a day named. If this event had occurred as arranged, the pacification of that island would probably have been completely effected and a condition of tranquillity secured there that has never before existed. The final surrender was to be at Magtaon, near the center of the island. Governor Curry passed a night or two before the surrender was to take place with the pulahan chiefs in their own camp, and one of those chiefs slept in the same house with Governor Curry at Magtaon the night before the surrender was to occur. But more or less of the people in the coast towns, who were regarded as bitter enemies of the pulahanes, came up to see the surrender, and this fact, and perhaps some other circumstances, rendered the pulahan leaders suspicious and evidently caused a fatal change of heart. When they were drawn up in line for the purpose of making a formal surrender of their arms in submission to the authorities, instead of surrendering, at a signal given by one of their leaders, they treacherously opened fire upon the constabulary and made a rush upon them. The constabulary at the time were armed with single-fire carbines, useless as guns after one shot, and were confronted in an instant by superior numbers in a hand to hand conflict. The constabulary officers displayed great gallantry, and although wounded, surprised, and betrayed, rallied their forces and drove off the pulahanes, killing 43 of them at an expense of 22 constabulary men killed and 11 wounded, 2 officers being among the wounded. Governor Curry and Judge Lobingier, of the court of first instance, who were present, with other officials, escaped. Immediately afterwards arrangements were made to arm the constabulary in Samar and

Leyte with Krag rifles, which render the constabulary far more invulnerable against a sudden attack or rush, because they can continue firing without stopping to load their guns. This unfortunate affair changed the whole phase of things in the province, and for the time ended the well-grounded hope that all the outlaws in the island would surrender and the people would return quietly and peacefully to their homes, and this rich island would once more be upon the road to prosperity and wealth. It became necessary, therefore, to enter upon a longer campaign, so that the peaceful people could be protected and the lawless pulahanes be hunted down and eliminated until the remainder should be willing to submit to the lawful authorities. A campaign was therefore arranged by agreement between the governor-general, Major-General Wood, commanding the Philippine Division, United States Army, and Governor Curry, by which the constabulary were withdrawn to the coast towns and to those interior regions lying about the towns of San Jose and Calbiga with the duty of taking charge of the ordinary police work of those localities, while the military authorities were to take charge of operations in the interior, aside from the localities named. In pursuance of this plan of operation the volunteers from the law-abiding people of the island have cooperated with the constabulary, and as they are operating in a different field from that occupied by the United States Army there is no danger of their being taken for pulahanes and of the unfortunate killing of friendly natives occurring, as has sometimes occurred, where volunteers were operating in connection with American troops. The cooperation between the civil and military authorities under this arrangement has been complete and the work of eliminating the disorderly elements is going steadily on. So considerable a portion of the province is now in an orderly condition that the provincial revenues are sufficient not only to meet all the ordinary expenses of the province, but likewise to construct roads, essential both for military uses and for the development of industries, and to pay the volunteers who are a useful element in the campaign now going on.

Conditions in Leyte.—For two years prior to February, 1906, Capt. Peter Borseth, of the Philippine constabulary, was governor of the province of Leyte. In that month the election of a new governor occurred and Captain Borseth was a candidate for reelection but, after an animated campaign, was defeated by Jaime de Veyra, a Filipino, who had for a time been one of the editors of the *Renacimiento*, a newspaper published in Manila, and was a man of literary accomplishments but inexperienced in the art of governing. The campaign was so bitter that much ill feeling was engendered and Governor de Veyra made some mistakes in the early portion of his administration, particularly in harsh dealing with those who had

opposed his election. The province had been in good condition under Governor Borseth's administration. It remained peaceful, but in part discontented, until June, 1906, when a combination of causes produced outbreaks, such that a band of pulahanes rushed the municipality of Burauen, killed several of the native policemen and constabulary and secured fourteen rifles. The ultimate causes of the outbreak are somewhat difficult to ascertain. The immediate occasion arose from the fact that the mother of two pulahanes or outlaws who lived in the mountains had been arrested for harboring others of the gang, and her sons organized an expedition to release her and to punish the members of the municipal council and the police force, whom they considered responsible for the imprisonment of their mother. They rescued her and likewise carried all the municipal records into the plaza and burned them. The most important among the records were the new valuations of land for the purpose of taxation, and undoubtedly resentment at the new land assessment and the manner in which it was executed by the local authorities was one of the causes that contributed to the feeling of dissatisfaction. Soon after the outbreak at Burauen about 200 pulahanes ambushed a small body of constabulary, and Lieutenant Worswick of that force and an American guide named McBride were killed. In view of the divided sentiment of the province and of the reduced number of constabulary available, it was considered advisable to invoke the aid of the United States Army, and a request was made upon Major-General Wood for assistance, which was immediately rendered by the dispatch of five battalions to take the field and assist in restoring order. Bringing this report down to a somewhat later date than the close of the fiscal year, it may be stated that there has been but one serious engagement in the island, when a considerable body of pulahanes made repeated attacks upon the constabulary and the army, but were beaten off, leaving 49 dead on the field.

For the purpose of securing the cooperation of all the forces and local authorities in the island and ending, so far as possible, the existing factional differences, the governor-general proceeded to Tacloban, the capital of Leyte, and there held conferences with Major-General Wood, Brigadier-General Lee, commanding the Department of the Visayas, United States Army, Colonel Borden, in immediate command of the United States forces in the island, Colonel Taylor, chief of the constabulary for the district, the provincial governor, and the presidents of the various municipalities. A plan for cooperative work between the United States troops, the constabulary, and the local forces of police and volunteers of the province was agreed upon. An arrangement was also made, by which, for the time being at least, the municipal presidents who were hostile to the provincial governor agreed to lay aside all their differences

and cooperate for the purpose of securing good order, and several of them, in company with Governor de Veyra, Colonel Taylor, and General Lee, made a tour throughout the disaffected portions of the province and made it manifest that they were all cooperating for a common object and that every difference should be laid aside until the province should be once more able to resume its peaceful progress. It will probably require some little time to restore the province completely to its former conditions of tranquillity. Those who joined the pulahanes scatter upon the approach of any body of government troops and resume the position of apparently industrious laborers, so that it is difficult to locate them; but under the protection afforded by the military and constabulary, Governor de Veyra is succeeding in obtaining more and more information as to the whereabouts of any bodies of pulahanes that may be gathered, and such information, with the proper military action, is all that is needed to secure the desired result. The province is a very rich one and the disturbance there is especially unfortunate. Possibly its immediate vicinity to Samar has had to do with the disturbed conditions.

Conditions in Cebu and other Visayan provinces.—For many years there have been in the mountains of Cebu comparatively small bands of outlaws that committed depredations upon the law-abiding people. Sergio Osmeña was elected governor of the province at the election held last February and devoted himself immediately to an attempt to end this condition and to induce the surrender of the outlaw leaders. He is one of the most energetic of the Filipino governors and has succeeded in inducing the surrender of all the guns that were out and practically all the outlaw leaders. He reports the province as in an entirely peaceful condition, a situation that has not before existed within the memory of living people.

In all the remaining Visayan provinces ordinary conditions of industry and peace prevail.

The Moro Province.—This province has had the great advantage of having had for its governor such an able administrator as Major-General Wood since its organization down to April 16, 1906, when he was succeeded by Brig. Gen. Tasker H. Bliss, of the United States Army, the present governor, who had likewise had much experience as an administrator. These governors of the Moro Province have held the double relations of governor, by appointment by the governor-general and approval by the Philippine Commission, and likewise of commander of the United States forces within the province.

In our last report it was stated that Datto Ali, who had for a considerable time been at open hostility in the Cotabato Valley, in the island of Mindanao, had been killed and his band dispersed. Since that time there has been no difficulty in that region, which has been

entirely peaceful and the inhabitants have returned to their lands and resumed their ordinary avocations. In the district of Davao, in the island of Mindanao, Governor Bolton, who had been remarkably successful in administering the affairs of his district, was killed by a treacherous native belonging to one of the hill tribes, who was subsequently hunted down and killed by the military authorities. Governor Bolton's death was greatly regretted, in view of his high character and his success in administering the affairs of his district. It came about not from any general opposition to the government, but by reason of a supposed slight to which the assassin thought he had been subjected. The hill people of that region in general are peaceful and orderly.

Near Jolo there for a time existed most unsatisfactory conditions. Disaffected Moro dattos had gradually been joining themselves together in an extinct crater at the top of Mount Dajo, near the town of Jolo, and had gathered about them the lawless of all the neighboring regions. From this mountain fastness they had issued forth to plunder and rob the industrious and law-abiding people of the surrounding country. Every effort was made to induce them to disperse peacefully. After infinite patience and kindness had been exhausted in attempts to remedy the situation, it was decided that conditions would become dangerous unless immediately ended. Detachments, therefore, of United States troops, assisted by United States marines, constabulary (the United States troops consisting largely of scouts, and the constabulary in part of Moros), assaulted the stronghold and exterminated the band. The position was first shelled by a naval gunboat and then assaulted by the combined Government forces. Among those in the crater were more or less Moro women and children, who were unavoidably killed. The shelling, of course, necessarily killed all who came in the way of the missiles and the women fought beside the men and held their children before them. The Moros, men and women, were all fanatics, sworn to die rather than to yield, and certain, as they believed, of a glorious reward in the world to come if they died killing Christians. Some criticism has been indulged in in regard to the killing of women and children, but it is believed to be entirely without warrant. The Government forces were climbing the steep slopes of a mountain and were met by an enemy who fought with fanatical fury, and who, when wounded, stabbed and undertook to kill those who tried to render to them assistance and relief. The killing of women and children was in no sense wanton, but was an unavoidable result of the character of the Moro resistance, and of the close quarters at which the fighting finally took place and of a most difficult situation. The extermination of these outlaws afforded the greatest relief to the Moros of the surrounding country, who rejoiced that their plunderers were no

longer able to continue their depredations. In other respects, since the battle of Mount Dajo, the province has been entirely peaceful.

Viewing the entire situation, the islands are in a peaceful and orderly condition, aside from the provinces of Samar and Leyte, and the now latent source of possible future difficulties involved in the fact that the fanatic Salvador is still at large in the interior recesses of north central Luzon. Distinct progress has been made during the year.

THE ELECTIONS.

In December, 1905, the biennial elections for municipal officers took place throughout the archipelago, and in February, 1906, the biennial elections for provincial governors. These elections are a vital part of the scheme that has been authorized by the Government of the United States in its altruistic and benevolent work of training the Filipinos for self-government by allowing them to exercise the fundamental right of choosing their own officers for local administration. They are thus being taught to exercise the rights of free men and to govern themselves so far as the Government touches their immediate local affairs. The steps already taken allow complete local autonomy so far as municipal officers are concerned and partial autonomy in provincial governments. The free choice of the provincial governor by the authorized electors of the province and the election of municipal officers by the local constituency have necessarily been experiments, and are a preliminary to the exercise of the still further important duty of electing their representatives to a legislative assembly which is to convene probably within the coming year. Undoubtedly if there has been error it has not been in the direction of restriction, but rather in the granting of perhaps a larger measure of self-government than a people absolutely untrained in the exercise of any of the functions of government were prepared for. Yet the results have been on the whole encouraging and the training that has come to the people has been invaluable; and, notwithstanding difficulties and embarrassments that have occurred, the people are undoubtedly far better contented, and perhaps better governed, by the exercise of governmental functions by themselves to the degree that they have been exercised than would have been the case had the central authority exercised more rigid control and performed more entirely the functions of providing for local governments. Some of the evils of popular suffrage were sure to appear among an untrained people in the first use of their exercise of the right of franchise, and of the same kind as appear among people who have longer trained themselves in the art of self-government, but in an intensified degree.

The municipal elections.—It is gratifying to state that the munici-

pal elections were conducted on the whole in an orderly manner and without disturbances of the public peace. Many of them, however, were protested and appeals lodged with the provincial boards, and in a considerable number of cases appeals were sustained, the elections set aside and new ones ordered, the declared results not being deemed to express the will of the electors by reason of fraud, intimidation, or bribery. Some of the elections were vitiated by failure to observe the requirements of the municipal code—a difficulty which will doubtless be remedied by additional legislation making the provisions of that code more complete and certain.

The provincial elections.—The gubernatorial elections were attended with much excitement, but no disorder, and were in most of the provinces bitterly contested. In one province 19 successive ballotings were necessary before a majority was obtained by any one of the candidates, and this on the fifth day of the election. In others repeated ballotings were necessary, and in such conditions of excitement undoubtedly strenuous influences were brought to bear by the several candidates and their friends upon electors. Of the 29 governors declared elected by the local authorities, there were 15 cases of protests presented to the governor-general, whose duty it is to confirm or set aside the election, the protests being based upon allegations of fraud, coercion, intimidation, voting by nonqualified persons, and the use of marked ballots. After careful investigation, however, all the elections were confirmed with the exception of those in two provinces, where new elections were ordered because the will of the electors had not been fairly ascertained.

The newly-elected governors are in the main leading and representative men of the respective provinces, who desire to give good government and to promote the true interests of the people; but it is an unfortunate circumstance, although natural in view of the character of training that the Filipinos had before experienced, that many of them consider that the interests of the people are best promoted by rewarding their friends and punishing their enemies.

A very small proportion of the population qualified as voters for the municipal elections.

On the whole it may be said that the elections afford gratifying evidence that progress is being made on the part of the Filipinos in the art of self-government.

EXECUTIVE CLEMENCY.

During the year a larger number of applications for executive clemency were received than in any previous one. It was believed that the more general good order which prevailed in the provinces warranted a careful revision of the cases of prisoners who had been

sentenced to long terms on conviction for bandolerismo (or robbery in bands), sedition, or insurrection. In some cases it was probable that convictions had been secured by way of vengeance on perjured testimony; that in others the accused, while in general good citizens, had by intimidation been compelled to join outlaw bands or to furnish to them food or supplies, and that in others their actions had been so far political that, in the changed conditions of peace and good order, they might be set at liberty without in any degree impairing public peace or offering encouragement to the enemies of good order. The governor-general therefore issued executive order No. 24 appointing a special committee for the purpose of examining the records in all cases of prisoners under sentence throughout the Philippine Islands for the offenses named. The committee consisted of two judges of the supreme court (one American and one Filipino), two judges of the court of first instance (one American and one Filipino), and the acting director of the constabulary. The appointment of this committee was received with great gratification by the public at large. Under the recommendations of the committee 68 prisoners were released on July 4, 1906, and the committee is proceeding with its work of considering every case of prisoners now under sentence for either of the offenses named, and their reports will be acted upon by the governor-general from time to time as rendered. The committee have more than 1,600 cases for consideration. They have been very conservative in their recommendations, and have not dealt with any cases arising in the provinces of Samar and Leyte by reason of the continued disturbances there; nor have they dealt with any cases arising in the provinces of Cavite, Batangas, Rizal, and Laguna, because it was not until very recently that the outlaw leaders in those provinces had surrendered. It was not deemed advisable to send any possible recruits to them as long as they were at large in the hills. It is believed, however, that conditions are now such that a very considerable number of prisoners may safely be released, who will become good citizens in view of their present surroundings and whose release will furnish great gratification to their friends and probably to the public at large.

INDUSTRIAL CONDITIONS.

Reference has been made in several former reports to the great depression in agricultural interests which lie at the foundation of everything in the Philippine Islands, a depression resulting mainly from the terribly destructive ravages of rinderpest and surra, which

had destroyed the cattle and horses to such an extent as to render agricultural industry almost impossible and to paralyze lumbering operations and every industry requiring draft animals, either for the purpose of transportation or cultivation. Locusts had also contributed to the general devastation, and war and asiatic cholera had been ruinous not only to industry but to all the agencies of industry. The return of prosperity after such a series of deterring and destructive features must necessarily be slow. The last year, however, has shown greater progress in this direction than any former one since the establishment of civil government, although many discouraging features still exist. Better conditions of order have made possible cultivation of lands in regions before unsafe and dangerous. The health authorities have been very largely able to cope with rinderpest and to stay its ravages, so that by the processes of nature the number of animals has considerably increased. Aside from hemp, tobacco, and sugar, crops are in a more prosperous condition than in any former year under American administration. The hemp industry has suffered a marked diminution, mainly the result of a severe typhoon occurring on September 26, 1905, which swept through the hemp regions and blew down and overturned the plants. The reduction in the production of tobacco is due in part to droughts, in part to the low price of the product, and in part to discouragement because of the failure to secure relief from the heavy and prohibitory duties charged on this product on admission into the United States. But there has been a great amount of new planting of certain products in ground before lying fallow. Enormous numbers of new plants of hemp, or abaca, and maguey (a most useful fiber plant), and of cocoanuts have been set out. There has been a large increase in the area planted to rice and the production of that cereal, vital to the islands as a food element, has been great. In some of the provinces many miles of new roads have been constructed out of provincial and municipal funds, and important areas have been opened up to cultivation by the new means of transportation thus afforded.

The reports of the provincial governors for the fiscal year are in marked contrast with those for prior years in reference to agricultural conditions. They nearly all present a more hopeful aspect than before and indicate a gradual return of prosperity. Statistics of the production of different crops are not available, but the importation of rice affords to a considerable degree a measure of the present producing capacity of the islands of this important cereal. Rice was imported for the fiscal year 1904, to the value of ₱23,097,628; in 1905, ₱14,913,476, and in 1906, ₱8,743,464. The results are there-

fore, that in the fiscal year 1906 ₱14,354,164 less went out of the islands to pay for imported rice than was the case two years before. Possibly some portion of this reduction arose from the decreased purchasing power of the people, particularly in the hemp provinces, for the last year where the typhoon destroyed so large a portion of the hemp crop, and thereby made less money available for the purchase of rice in those regions; but it is believed that the greater part of the reduction in the imports of rice came from the increased domestic production. If the same ratio of decreased importation continues for two or three years more the islands ought to be self-sustaining in this particular article of food consumption.

Another indication of returning prosperity may be found in the fact that the total value of exports during the year exceeded that of imports by ₱12,239,056, not including currency, which is nearly ₱8,000,000 more than the record for any previous year since American occupancy. Had it not been for the destructive typhoon which materially diminished the exportation of hemp the showing would have been probably ₱4,000,000 more favorable. The total customs receipts for the year were, however, 8½ per cent less than for the immediately preceding fiscal year, this reduction arising from diminished importations of opium, rice, and materials for street-railway equipment, and the diminished collection of export duties on hemp arising from the destruction of the hemp plants by the typhoon.

Another contributing element was the reduction by legislation in license fees for vessels and the abolition of clearance charges for inter-island service, action which, however, is believed to be in the interest of the commercial prosperity of the islands.

Another indication of prosperity is the increased purchases of improved agricultural machinery, which not merely indicates improvement in purchasing power on the part of the people, but also furnishes the material for constantly enlarged production.

Another encouraging feature is the fact, hereinafter referred to, that between ten and twenty million dollars of United States money will doubtless be expended, largely within the islands, during the next two or three years in the construction of railroads, which will not only furnish immediate employment to a large number of people and cause a great distribution of funds in that way, but will also furnish an increased local market for many of the products of the islands.

On the whole, we believe the industrial outlook to contain more encouraging features than at any former period since American occupation.

CURRENCY.

As was stated in our last report, the new Philippine currency has become the money of the islands, aided to a minor extent by United States money, and the old fluctuating Mexican, Spanish-Filipino, Chinese, and other foreign coins previously circulating here have already been eliminated. The silver certificates authorized by act of Congress have been found to be of the greatest convenience in commercial transactions. At the end of the fiscal year 1905 the amount of such certificates in circulation was ₱10,450,000, while there were in circulation at the end of the fiscal year 1906 ₱14,410,000. Under the law as it existed at the time of our last report, silver certificates could not be issued in greater denominations than ₱10 each, equivalent to \$5 United States money. This limitation involved great inconvenience in handling large sums of money. Legislation by Congress during the year authorizing the issue of such certificates of ₱20, ₱50, ₱100, and ₱500 denominations has furnished a greatly needed relief. Banks especially make use of the larger denominations for holding their reserves, by reason of the greater ease in counting and less space occupied.

The steady appreciation in the market value of silver has had a serious effect upon the stability of our new currency. The price of silver at this writing is such that it would cost nearly ₱1.11 to purchase silver enough to make a peso laid down in Manila, including interest, mintage charges, packing, transportation, etc. The bullion value of a peso is materially in excess of its face value, and there would be a very tangible profit in melting down or exporting our silver coins for bullion purposes. As a temporary expedient until necessary legislation could be obtained from Congress, and not as a scientific method of dealing with the problem, the Commission prohibited the exportation of Philippine coins or bullion obtained from melting the same. So far as is known, no Philippine coins or bullion made therefrom have been exported since the passage of the act referred to. Meanwhile, Congress has come to our relief by authorizing the recoinage of the existing coins and the purchase of additional bullion for coinage on a basis of not less than 0.700 parts of fine silver in 1,000 as against the existing coinage, which contains 0.900 parts, and by authorizing the placing of gold coins of the United States in reserve for the payment of silver certificates thereafter issued, instead of requiring payment in silver coins, at the option of the government. Under the authority of this act of Congress, \$750,000 United States gold coin have been placed in the reserve vault for the redemption of silver certificates, in lieu of 1,500,000 silver pesos. This transaction released that number of silver pesos for circulation and thereby increased the money available for current use to that

extent. Additional coinage, however, is deemed expedient to supply the present and growing needs of the islands, particularly in view of the large amount of money that will be required during the period of the construction of railroads. The rise of silver has been so great, by reason of the renewed purchase of silver bullion by the United States Government for coinage purposes and for other causes, and the continuance of the high price is so probable, that it now appears that the new coinage ought to be upon a basis of 0.700 parts of fine silver instead of any higher proportion. The new coins would circulate side by side with the old ones, just as the Spanish-Filipino pesos circulated side by side with the Mexican, although having about 12 per cent less intrinsic value. Under such a proportion the new coins would still have a larger relative intrinsic value at the present price of silver than did the existing ones at the time of their coinage. The new coinage act will require, in accordance with the act of Congress, the approval of the President of the United States before becoming effective. It is believed, however, that very early action is advisable, substantially along the lines here outlined. It should be remarked that aside from a limited amount of United States money, the only paper money in circulation in the islands consists of the silver certificates above stated, together with about ₱1,500,000 notes of the Spanish-Filipino Bank.

As was stated in our last report, the certificates of indebtedness issued to obtain funds for the purpose of maintaining a stable gold-reserve fund have been gradually reduced in amount. The \$3,000,000 of certificates maturing May 1, 1905, and \$3,000,000 maturing September 1, 1905, were paid in full, and only \$1,500,000 were issued in their place, making a reduction of \$4,500,000 during the period covered by our last report. The last set of certificates, to the value of \$1,500,000, matured September 1, 1906, and were retired at maturity and a new series issued to run one year to the amount of \$1,000,000, the amount derived therefrom being ample to meet all requirements for maintaining the parity of the gold standard when added to the gold-standard fund already accrued. Should a new coinage of all the existing Philippine coins be made on the basis above indicated, several million pesos more resulting from the seignorage on the new coinage could be added to the gold reserve, constituting an ample fund for that purpose, so that the outstanding series of certificates of indebtedness would be retired and probably none need thereafter be issued.

Incidentally, attention is invited to the fact that the several series of certificates, although running for but one year, have been sold at such premiums that the rate of interest thereon has been in the vicinity of 2 per cent only upon the whole, and that the proceeds have been kept on deposit in banks in New York, where such rates of

interest have been received that the sales of the certificates have been a source of profit to the insular government, and it has thus had its gold-standard fund kept strong and safe, not only without cost, but with a direct profit to the insular treasury.

FINANCIAL CONDITION.

The insular finances are in much better condition than they have been for several years.

During the fiscal year 1905 there was an excess of expenditures over net income receipts of ₱1,398,723.92. At the close of the fiscal year 1906 there had been for the year an excess of receipts over net disbursements amounting to ₱3,180,647.43. This favorable result is due in part to greater economy in expenditures, in part to increased collections by the bureau of internal revenue, more than sufficient to counteract the decrease in customs receipts, and in part to the construction of public works out of the proceeds of bond issues authorized by Congress, instead of from current receipts as before.

The condition of the general treasury at the close of the fiscal years 1901 to 1906, inclusive, is shown by the following tabulation, each total showing the amount available for appropriation, or deficit, at the end of the year:

1901-----	₱7, 800, 000. 00	1904 (a deficit of)---	₱540, 599. 52
1902-----	8, 000, 000. 00	1905 (available) -----	585, 021. 36
1903-----	4, 346, 000. 00	1906-----	2, 572, 268. 38

Without the internal-revenue law, however, the government would have been unable to meet its obligations. The favorable statement for the last two years shows that the government is now upon a sound basis financially, and that the resumption of appropriations from current funds for permanent public works is now practicable. It is deemed undesirable to exhaust the whole borrowing power of the government as given by Congress for the construction of public improvements, but there should be some reserve left in the authority referred to to meet special contingencies. With persistent economy in the expenses of administration a considerable sum can be provided each year from current revenues for the construction of important works of a lasting character and essential to the prosperity of the islands.

It is believed from the best forecast that can be made that the operations of the fiscal year 1907 will show a surplus of approximately ₱3,000,000 of net receipts above net expenditures, aside from the surplus accumulated at the end of the fiscal year 1906. Assuming that a reasonable surplus should at all times be maintained to

meet contingencies, it is still apparent that the government will be able from current revenues during the ensuing year not merely to provide for an adequate surplus, but also to resume the construction of most needed public works from current revenues.

BONDED INDEBTEDNESS.

The bonded indebtedness of the insular government, aside from ₱2,000,000 of certificates of indebtedness relating to the gold-standard fund, reference to which has hereinbefore been made, consists of the friar land purchase bonds, below referred to, and of two series of public improvement 4 per cent bonds, ₱5,000,000 of which bonds had been sold prior to our last report. The second series of ₱2,000,000 was sold in February, 1906, on which a premium of ₱167,494 was received. These bonds run thirty years, but may be paid at the expiration of ten. It is assumed that they will be paid partly by a sinking fund, and partly by the issue of a new series at the expiration of ten years, from which it will be observed, figuring them as ten-year bonds, that they were sold on most favorable terms.

In addition to the bonds last above mentioned, the insular government has issued, for the purchase of the "friar" lands, bonds to the amount of ₱14,000,000. These bonds are likewise payable in thirty years, redeemable in ten, and bear 4 per cent interest. The insular government has no other bonded indebtedness.

THE INTERNAL-REVENUE LAW.

In our last report were set forth the causes which had led to the enactment of the new internal-revenue law and the abolition of the old Spanish industrial tax, the opposition which the law had encountered, and the results accruing from the first eleven months of its operation. It has now had, aside from the first eleven months above referred to, one full fiscal year in which to demonstrate its utility. The law was indispensable for the purpose of revenue and redistributed the burden of taxation, placing it largely upon articles of optional consumption and relieving many small industries from annoying and burdensome taxes that had before rested upon them. The agitation against the law continued to some extent until October, 1905, when it was finally determined that it would not be modified in any vital or essential feature, after which time the distillers and manufacturers of tobacco products adjusted themselves to new conditions. The total collections under it for the year amounted to ₱8,803,356.91, the cost of collecting being 4.1 per cent of the receipts, exclusive of the expenses incurred by the provincial governments in aiding the collector of internal revenue. Of the sum

collected ₱5,122,871.80 accrued to the insular treasury, the balance to the provinces and municipalities. All opposition to the law has now ceased and the principle of placing a considerable portion of the burden of taxation upon articles of optional consumption has been received as a just and wise one. No tax is imposed upon alcoholic or tobacco products that are exported, but this provision is of no importance in connection with alcoholic products because none are exported. The enormous proportion of the tobacco products manufactured is consumed in the islands. Nearly all the cigarettes made are for local consumption, the total number exported being 21,062,844, while those consumed within the islands amounted to the enormous number of 3,509,038,750, probably a far greater consumption per capita than can be shown for any other country. The figures above given for domestic consumption are those of tax-paid cigarettes, in addition to which there are great numbers of homemade ones upon which no tax is paid. The sale of tobacco products is as large as before the passage of the law. The sale of alcoholic products apparently has been diminished to some extent, but this result is attributable in part to the diminished purchasing power of the people, but undoubtedly more to the excessive prices which, for a considerable time, the distillers and wholesale and retail dealers placed upon their commodities, hoping thereby to make a demonstration that would diminish the consumption to such an extent as would compel a modification of the law. Such a result not having been secured, normal conditions are gradually being resumed. There has probably been an increase of 50 per cent in the output of alcoholic products during the last fiscal year, as compared with the year before.

SUSPENSION OF THE LAND TAX.

Owing to the continued agricultural depression and the improved financial condition of the insular treasury, it was deemed expedient to furnish to land owners a temporary rest from the payment of the land tax. Legislation in this direction was deemed advisable also by reason of the uncertainty of land titles and the inequalities and incompleteness of the existing valuations, as set forth in our last report. The situation was a somewhat difficult one, because the proceeds of the land tax are devoted to local purposes and the provincial and municipal governments would be greatly embarrassed if deprived of the revenues accruing to them from that tax. Their ability to maintain their schools, roads, public buildings, and police forces would be imperiled. It was, however, ascertained that the insular government could furnish relief in that respect to the municipalities and provinces without impairing its ability to meet all other obligations. As a solution, act No. 1455 was passed on Febru-

ary 16, 1906, providing for a total suspension of the land tax throughout the islands outside the city of Manila for the calendar year 1906, and for an appropriation from insular funds to the provinces and municipalities of a sum equal to the amount of land taxes collected by them respectively in the year 1905. This appropriation was made payable in twelve equal monthly installments. The act also provided for complete new valuations of all lands with suitable boards of appeals and equalization. This legislation has given to the agriculturists a most welcome rest from the burden of the land-tax for one year and has still provided the provinces and municipalities with the same resources for disbursement for public use as they had available for such purposes before the suspension of the land tax. Meanwhile the work of revaluations has steadily progressed and it is believed will result in such readjustment of valuations and such more certain ascertainment of titles as will obviate many of the difficulties before experienced. The land tax is an equitable one, very small in amount, and can not exceed seven-eighths of 1 per cent in any one year, but the aggregate amounts to large sums for local uses. The land tax was a new one in the islands, and necessarily encountered many obstacles, particularly in view of the fact that the valuations were made by boards composed of men totally inexperienced in such work, being in all cases made by local authorities, subject to right of appeal.

AGRICULTURAL BANKS.

In our last report was set forth the extreme need of capital to aid agriculturists in developing their properties, and recommendations were made that authority be asked of Congress for the establishment of an agricultural bank by act of the Commission, the capital for which should be furnished by private parties, and the principal of which should be guaranteed by the government of the Philippine Islands, with interest at the rate of 4 per cent per annum, with a limit which the government of the Philippine Islands could be called upon to pay in any one year not to exceed \$200,000.

This recommendation was made largely upon the basis of the successful working of the Egyptian Agricultural Bank under circumstances quite similar to those which exist in the islands, as was set forth in our last report.

This recommendation is renewed. It is understood that a bill was introduced in the last Congress for the accomplishment of the results sought; but, owing to press of other business, or for other reasons, was not enacted. In the bill introduced in Congress it appears that the limit which the government of the Philippine Islands might be called upon to pay in any one year was fixed at \$500,000 instead of

\$200,000. The increased prosperity of the islands resulting from the establishment of such a bank would undoubtedly be such that the government could well afford to assume a contingent and possible liability to the amount of \$500,000 per year, and our former recommendations are modified to that extent. The Filipino people have been greatly interested in this proposition. It is believed that no single step can be taken that could give greater satisfaction to the general mass of the people than the successful inauguration and carrying on of such a bank. It would not only be a great element of aid in the prosperity of the islands, but likewise to the peace and contentment of the people.

RAILROADS.

The need of additional modes of transportation in the islands has from the beginning been realized as most urgent, and their existence as necessary to any large progress. The death of so large a proportion of the draft animals emphasized this fact. It was useless for the agriculturist to bestow his labor on the production of commodities, beyond those necessary for the bare utilities of life, when there was no means of transporting them to other parts of the islands where there was a market, or to the great markets of the world. It probably is not true that railroads would immediately develop the sparsely inhabited portions of the islands in the same way that has so often occurred in the United States, because the Filipino is not inclined to migrate; but it is true that many of the well-settled portions of the islands produce but a very small fraction of what nature intended and of what would so largely and directly add to their means of support and prosperity. This need has been realized by all who have studied the Philippine problems, by natives as well as foreigners. Much difficulty, however, has been experienced in inducing American capital to enter the islands for this purpose.

On June 12, 1905, proposals for bids for the construction of railways for eleven routes, aggregating 1,113 miles, in the islands of Luzon, Panay, Negros, Cebu, Leyte, and Samar, were advertised in Washington and Manila. The bids were opened in Washington on December 20, 1905, and were three in number—one for all the lines called for in the island of Luzon, one for the lines in the provinces of Albay and Ambos Camarines in Luzon, and one for lines in three of the Visayan islands—Panay, Negros, and Cebu. None of the bids complied strictly with the terms of the proposals, and it was deemed necessary to reject them all and readvertise, the new advertisements being in some respects modified to meet the reasonable requests of one or more of the bidders. On January 20, 1906, the new bids were opened, when it was found that there were but two bidders, Messrs. Speyer & Co. for the lines in Luzon, and the Visayan Syndicate for

the lines in Negros, Panay, and Cebu—a syndicate composed of Messrs. William Salomon & Co., Cornelius Vanderbilt, and J. G. White & Co., of New York, and Charles M. Swift, of Detroit, with whom were associated the International Banking Corporation, H. R. Wilson, and Heidelbach & Co., of New York. The last-named bid being within the terms of the proposal, was accepted and a concession awarded to the syndicate.

On May 28, 1906, after the form of the concession had been agreed upon between a representative of the syndicate and the Secretary of War, an act was passed by the Commission authorizing the governor-general to execute the concessions, which was done on July 10, 1906. The syndicate transferred their concession to a company called the Philippine Railway Company, organized under the laws of the State of Connecticut. The agreement for the concession has been accepted by the railway company, and the governor-general has notified them that surveys must begin forthwith. The salient points of the concession are:

1. An agreement to build 295 miles of railroads in the islands of Panay, Negros, and Cebu on routes specified.

2. A guaranty by the government of 4 per cent on the first-mortgage bonds issued for the construction of the railroads, none of which could be sold below par, the proceeds all to be expended for the construction and equipment of the roads; the sums, if any, paid by the government, in pursuance of its guaranty, to constitute a lien upon the railroad and its equipment, the guaranty to cease at the end of thirty years.

3. The concession is perpetual.

4. Taxation is fixed at one-half of 1 per cent of the gross earnings for thirty years, and 1½ per cent for fifty years. After that period the rate of taxation is to be fixed by the government.

5. The company is given six months in which to complete its plans and surveys, and twelve months in which to complete the first 100 miles of the route after same have been approved, and 100 miles to be completed each year thereafter.

6. Provision is made for the entry of the material necessary for the construction and equipment of the road free of duty.

7. The privilege is given of using rights of way 100 feet wide in the public domain, excepting such parts as have been heretofore leased or set aside for public purposes.

8. The gauge is to be 3 feet 6 inches, and the quality of the construction to be up to first-grade modern standards.

No bids were received for Leyte and Samar, owing probably to the disturbed conditions existing in those provinces, which have great natural resources and will undoubtedly be inviting fields for investors when conditions become normal.

The Speyer syndicate, which presented two bids for lines in Luzon, one for a line from Dagupan, the northern terminus of the existing Manila and Dagupan Railway, to Laoag, Ilocos Norte, a distance of 168 miles, for which the full amount of the guaranty was asked for a period of thirty years; the second for lines aggregating 390 miles, which were to run from Manila south and southeast and through the provinces of Batangas and Tayabas, and likewise lines in the southern peninsula through the provinces of Ambos Camarines and Albay, and branch lines from these roads and from the Manila and Dagupan Railway, now existing, the control of which had been secured by the Speyers previous to bidding.

The proposition made by the Speyers contained some objectionable features which the government did not feel justified in granting, such as, that portions of the lines called branches were to be so awarded as only to be optional with the company to build, instead of being compulsory; that no definite time was stated for the completion of the surveys or the construction of the railroads; that taxation was to be continued permanently at the low rate of $1\frac{1}{2}$ per cent of the gross earnings; that the rates for government freight and officials were to be established permanently at the present high figures of the Manila and Dagupan Railway, and that the power of the government to grant franchises to competing lines was to be limited.

After some months of negotiations these points were satisfactorily adjusted, and the terms of the adjustment agreed upon put into the form of a legislative concession, and acceptance of the concession by the syndicate and a deposit of the securities provided for in the advertisements made. As finally agreed upon the company is—

1. To build 428 miles of railroads throughout the island of Luzon.
2. No guaranty is granted on any of this construction.
3. The initial rates are to be based upon those now enjoyed by the Manila and Dagupan Railway and the government has the power to regulate them at any time.
4. The existing Manila and Dagupan Railway and all of its branches withdraws any claims which it has or may have against the municipal, provincial, or insular governments, or the Government of the United States, by reason of injury to or destruction of the railroad during the insurrection, and comes under the new charter on exactly the same basis as the new lines.
5. The concession is a perpetual one, and the government is free to grant franchises for competing lines at any time.
6. Taxation is fixed at the rate of one-half of 1 per cent of the gross earnings for thirty years, $1\frac{1}{2}$ per cent for fifty years, and thereafter to be fixed by the government.

7. The company is given twelve months in which to complete its surveys and thereafter two years in which to complete its first 150 miles, and is to complete 75 miles each year thereafter.

8. The right of entry of material for the construction and equipment of the railroads is given free of duty.

9. The privilege is given of using rights of way 100 feet wide through the public domain, excepting such parts as have been set aside for public uses and such improved lands as may be taken from the so-called "friar lands," for which payment must be made.

While the road contracted for does not reach Laoag, at the north end of the islands, it extends 35 miles north of Dagupan to San Fernando, La Union, and will undoubtedly be eventually extended to Laoag, thus forming practically a north and south line from the north end of the island down to the mountains of Tayabas.

The concession was transferred by Speyer & Co. to the Manila Railroad Company, a corporation organized under the laws of the State of New Jersey.

It will thus be seen that the final steps have now been taken for the construction of between 700 and 800 miles of new railroad lines, which will open up much of the most populous portions of the whole archipelago, and bring vast producing areas into direct connection with water transportation at the various ports. The terms secured are, on the whole, favorable to the public, and are the most favorable that could be obtained after protracted advertising and individual effort to induce capital to come to the islands. The burden of the guaranty assumed will be entirely within the possibilities of the insular treasury, and will be far more than compensated for by the increased development and producing power of all the regions reached by the new lines.

BENGUET ROAD.

The concession of the Manila Railroad Company requires it to extend its railroad, among other directions, northeasterly to Camp One, in the gorge of the Bued River, where the Benguet road proper begins, and climbs up through the gorge to Baguio, the capital of the province of Benguet, at an elevation of 5,000 feet. The railroad will probably be completed during the coming year. The Benguet road proper has been completed at a very large expense, and was extensively used during the past heated season. Very large numbers of people during the past months of March, April, and May, and a portion of June, escaped the heat of Manila and the lowlands by going to the mountain resort of Baguio, where comfortable hotel facilities are furnished and a sanitarium is maintained, and a considerable number of people have built cottages. The road received a most thorough trial by two unseasonable typhoons which swept over Luzon in the month

a fall of 54 inches at Baguio during
 a terrific deluge the road was closed only
 the trees brought down were rapidly cleared
 away, and the roadbed experienced
 no injury. This year the township of Baguio has
 many lots staked off, and all of those
 have found ready purchasers. A site
 for the general's residence, and plans have
 been made for the coming year. Sites for
 a country club, have been marked off
 for the archbishop of Manila,
 and the early construction of
 the construction of constabulary bar-
 cottages for employees have been laid
 out in contemplation. The tempera-
 ture is lower on an average than that at
 Manila means a great opportunity for re-
 sidence without the excessive cost and
 to colder countries. The military
 post of fine land at Baguio reserved for
 a large post will be there established,
 made by the construction of tem-
 porary for the commanding general and
 it is estimated that the expenditure incurred
 in building this road will be eventually fully justified. Baguio will
 perform the same functions as a summer capital in the Philippines
 that Simla does in India.

INTERISLAND SHIPPING.

Freight and passenger traffic, and the carrying of mails from
 island to island, have been in the hands of commercial shipping lines
 and of the bureau of navigation, heretofore known as the bureau of
 coast guard and transportation, the latter consisting of a consider-
 able number of steamers owned and operated by the insular govern-
 ment. The commercial service has been bad, and the system of gov-
 ernment operation has been expensive, although indispensable, and
 has likewise tended to take from the commercial lines a large amount
 of traffic which naturally belonged to them and to make their enter-
 prises less profitable. In the interest of commerce and of the devel-
 opment of the shipping of the islands, and particularly of improving
 the character of the service to be rendered, as well as, it is hoped, in
 the interest of economy for the government, advertisements were
 published offering to make five-year contracts with commercial lines
 for government services, mails, passengers, and freight, on condition

that the shipowners should bring their vessels up to modern standards of comfort and hygiene, and should so maintain them under government supervision, with penalties for failure to comply with the specifications. Bids were opened on March 1, 1906, and after considerable negotiation and an extension of the time for bidding to meet the needs of some of the large companies which had not made tenders, contracts were finally closed with four companies which had been operating steamers in the interisland trade for service on eleven routes, with annual subsidies amounting to ₱219,357.80. The contracts, which extend over a five-year period, providing the conditions are all complied with, require that the mails shall be carried free, that the ships shall be immediately put in such condition as to meet rigid requirements in standards of safety and sanitation, that they shall start at regular times, on a regular schedule, and make certain stops every trip, under penalty of fines imposed for each offense, the whole service to be under the direct supervision of the secretary of commerce and police, through a bureau chief. The contracts provide definitely the rates that are to be charged on each route for the transportation of freight and passengers, the same rates being available in all cases for the government and for private shippers, including the military authorities.

One of the vessels belonging to the insular government has, by reason of the contracts aforesaid, been leased to the military authorities, and four others have been laid up on Engineer Island, reducing the expenses to the government about ₱50,000 per year each, or ₱250,000 in all, the sum thus saved, therefore, being greater than the total amount of the subsidies to be paid under the contracts. The prices fixed for transportation are estimated to produce an average reduction of about 20 per cent on all classes of service on the routes below that now charged for like service. This last fact is believed to be an important one in its relation to the development of the commerce of the islands.

MANILA HARBOR.

The contracts for dredging the Manila Harbor and the extension of the east breakwater have been substantially completed. The aggregate of all expenditures for this work has been ₱7,604,000, and for the improvement of navigation on the Pasig River ₱1,361,000; making a total for the port of Manila and the Pasig River of ₱8,966,000. The harbor is considered now a safe one during typhoons or other storms, and it is probably the best in the Orient.

Contracts have already been awarded for the construction of two new large steel and concrete wharves, one 600 by 70 feet, and the other 650 by 110 feet. These wharves will have sheds to cover them, and when completed should, together with the new harbor, have a very

marked effect on the carrying trade of the islands. All harbor dues at ports in the Philippine Islands have recently, by authority of Congress, been abolished by the Commission, so that Manila is now, having neither tonnage, harbor, or light dues, the only absolutely free port of the Orient. A harbor made safe and free from all charges, with magnificent wharves upon which freight can be loaded and unloaded with the utmost facility upon and from steamers lying at their sides, constitute such improvements and facilities that Manila may well expect a material and permanent increase in the shipping that shall visit these shores.

Extensive improvements, involving nearly ₱2,000,000, are also under way in the harbors of Iloilo and Cebu.

ADMINISTRATION OF JUSTICE.

The higher courts of the islands have performed their duties satisfactorily and have justly commanded the confidence of the people, native and foreign alike. But the justice of the peace system had been subject to serious criticism, largely because of the abuse of power by justices and the absence of any direct efficient control over them, and because of the procedure requirements imposed upon them by Spanish law so heavy that the best men in the communities were unwilling to accept and retain the office for the small compensation provided. After careful consideration and conference with the judges of the several courts and leading lawyers the justice of the peace system was materially changed by an act passed February 3, 1906. Since its enactment few, if any, complaints have been made in regard to oppression by justices, nor has there been any difficulty in obtaining and retaining the best men in the several municipalities to hold the position. Under the new law appointments of justices of the peace are made for a period of two years from a list furnished by the judge of the court of first instance of each judicial district, who is also given supervision over the justices within his district, and whose duty it is also to call a meeting of all the justices in each province in his district at least once a year for the purpose of discussing questions relating to the administration of the office and instructing them in the performance of their duties. In case of a complaint against a justice it is the duty of the judge to investigate the charges and report to the governor-general for such action as to him may seem fit. The procedure has also been simplified so that it is practicable for a man of good judgment and sound sense to perform the duties in a satisfactory and reasonable manner. The compensation is also increased. The new law meets the approval of substantially all who have given study to the question. Judges of the courts of first instance are devoting themselves diligently to

promoting the efficiency of the justices of the peace courts over which they have jurisdiction and to instructing the justices as to the proper manner of performing their duties.

RELIGIOUS CONTROVERSIES.

In our last report it was stated that on July 24, 1905, the Commission passed an act vesting in the supreme court of the islands original jurisdiction over all controversies relating to the possession of, or right of property in, churches, convents, cemeteries, and other property of like character claimed by the Roman Catholic Apostolic Church, and likewise by the Independent Filipino Church, or by the several municipalities, and requiring that cases instituted in pursuance thereof should have precedence over other litigation pending in the court, and furnishing a simple and speedy procedure both in the matter of pleading and proof taking. It was hoped that all these controversies might in pursuance of that act have been speedily and peacefully determined, a result which has not yet followed. Actions, however, in pursuance thereof have been commenced in the supreme court by the Roman Catholic Apostolic Church to establish its title to properties of the character referred to in most of the provinces. None of those suits have yet been brought to a final determination, but the effect has been largely to put an end to any forcible seizure of churches, convents, or cemeteries, and to leave each party in the peaceful possession of such property as it had at the time of the passage of the act and awaiting the orderly determination of their respective rights.

The litigation in relation to the San Jose College property referred to in former reports of the Commission involves the question as to whether that property should be administered by the insular government or by one of the religious orders of the Roman Catholic Apostolic Church. The testimony has been closed and the case fully heard by the supreme court, but no decision has yet been rendered.

There are also most important questions outstanding as to whether the government, as the successor to the Crown of Spain in the islands, is not the lawful administrator of certain other valuable properties, such as the San Lazaro estate, the Hospicio de San Jose, the San Juan de Dios property, and others, the right to administer which is claimed by the Roman Catholic Apostolic Church. Attempts have been made to negotiate an adjustment of these last-named controversies, but they have not yet been successful.

FRIAR LANDS.

It was stated in our last report that 400,000 acres, more or less, agricultural lands belonging to the religious orders had been purchased by the insular government, and that after protracted nego-

tiations the purchases had been completed and titles passed. The purchase of these lands was almost wholly for the purpose of settling agrarian controversies and allowing the occupants, who could under circumstances before existing acquire no titles to the holdings and must always remain tenants, to become landowners and thereby interested in peace and good order and the prosperity of the country. During the year the bureau of lands has devoted itself with great energy to causing these lands to be surveyed and to obtaining signatures of the former tenants to leases of their holdings. The purposes of obtaining leases were twofold; primarily, to end all controversy as to the government's ownership by a recognition thereof; secondly, to obtain some income from the property. The occupants have very largely executed leases and indicated their intention to make purchases. The lands will be sold at prices only such as to compensate the government for money invested, so far as it can be ascertained, and favorable terms of payment will be given to purchasers. There is now every reason to believe that most of the occupants will end their leases by becoming purchasers, and will be contented landowners instead of discontented and repudiating tenants. It will require much time and patience to work these results out in full. The work is now making substantial progress.

POSTAL SAVINGS BANK.

On May 24, 1906, an act was passed creating in the bureau of posts a division of postal savings banks and authorizing the establishment of the same throughout the archipelago. It is believed that this will meet a much-needed requirement and is one of the most important pieces of new legislation enacted. The Filipinos have little opportunity to make investments of their savings or to make them secure in any manner, least of all in a manner to yield any income. Such a condition discourages thrift. Practically the only means of saving heretofore in the provinces was by burying money in the ground. The money thus concealed was liable to be lost, and if it were kept about the house it was a temptation to robbers, and in any event was idle and unremunerative. Money deposited in the postal savings bank will all be invested in the islands in the most conservative and safe securities. Americans and a few Filipinos have made use of postal money orders, payable to themselves, as a means of safeguarding their earnings for a time. Such an investment of course draws no interest, and it is estimated that there is now a million pesos held in this form. The money so held can not be used by the government for the purpose of reinvestment, and is therefore entirely stagnant in the community. The postal savings bank will tend gradually to win the Filipino from his love of gambling and of putting his money on the hazard of the

cockpit, induce him to save his little funds, and enable him to buy a homestead or agricultural machinery, or to enlarge his existing possessions.

THE OPIUM LAW.

The subject of restricting the sale and suppressing the evils resulting from the sale and use of opium has long engaged the attention of the Commission and of others interested in the welfare of the inhabitants of the Philippine Islands. In 1903 a carefully prepared bill was taken under consideration by the Commission, with a view to diminishing the evil of opium smoking and general use of opium in other forms, and was presented for public discussion. Great opposition, however, was manifested to its enactment and to the fundamental principles thereof. The agitation was to some extent transferred to the United States. The opposition in the islands came ostensibly from people who were interested in the welfare of the inhabitants and in the diminution of the evils resulting from the promiscuous use of the drug. As was developed, however, on the public hearing, the sinews of war for carrying on the agitation against the proposed legislation were furnished mainly by opium dealers, and the cablegrams which were sent to the United States for the purpose of arousing the moral sentiment of the people there, so that it might be brought to bear against the law, were paid for by the importers of and dealers in opium in Manila. The result, however, was that it was determined not at that time to enact the law as presented, but a committee was appointed, consisting of the Right Rev. Charles H. Brent, Dr. Jose Albert, and Maj. Edward C. Carter, U. S. Army, to visit other countries in the Orient and to make investigations as to the manner of dealing with the problem there utilized and to report as to the best system feasible for the islands. After extended investigations in Japan, China, Hongkong, Singapore, Burma, Java, and India, the committee made its report and recommended substantially that a system similar to that established by the Japanese in Formosa be inaugurated in the islands, whereby the importation and manufacture of opium into forms suitable for smoking or other consumption, and the sale thereof, be made a government monopoly, and that licenses for the purchase and use of the drug be issued for a small sum to habitual users, but to no others, and that the system of issuing licenses be gradually curtailed until such condition should arise that total prohibition of the sale except for medical purposes could be enforced without undue hardship. The committee tentatively suggested a three-year period for the issue of such licenses. Meanwhile, Congress, probably in pursuance of what was supposed to be the recommendation of the committee, in the Philippine tariff revision act of 1905 provided that after March 1, 1908, the importa-

tion of opium for any except purely medical purposes should be absolutely prohibited, and that meanwhile no sales to others than Chinese persons should be authorized. When the Commission finally took up the subject to act upon the report of the committee, it was found that the extensive manufacturing establishment needed for the preparation of opium for smoking and other uses would involve great expense to the government; that it would be inequitable and probably impracticable to prohibit the manufacture and sale by the importers of the opium already imported, but it would be necessary for the government to purchase such opium and proceed with its preparation in the establishment referred to. This would involve very great expense. Meanwhile, by reason of the provisions of the act of Congress referred to, the establishment would become useless after a comparatively short time—March 1, 1908. It was therefore considered impracticable to adopt the recommendations of the committee, and eventually a high license system was inaugurated as a temporary expedient by act No. 1461, passed March 8, 1906. The administration of the law was placed in the bureau of internal revenue.

The revenue officers found on hand in the islands as of April 1, 1906, about 10 tons of opium. From the customs figures of duty paid on opium imported into the islands during late years it would appear that the normal amount smoked in the islands was about 100 tons per annum, the retail price of which would be about ₱5,000,000. After April 1 the amount of duty-paid opium imported was much less than during prior periods, owing to the facts that merchants and consumers had stocked up before the law became effective and were able to conceal a large portion of the drug from the scrutiny of internal-revenue agents and other officers; that opium is probably being smuggled into the islands in considerable quantities in such manner as to avoid customs inspectors, or that the majority of persons who smoked opium or otherwise used it have reformed. The prepared opium is now, with the heavy tax imposed upon it, a precious substance, worth its weight in silver. It is therefore impossible to prevent the smuggling of it in small quantities by incoming passengers or shippers.

Under the provisions of the law, a Chinese person who is an habitual user of opium may obtain a license authorizing him to purchase the drug and use it in his own home, but not elsewhere, paying a fee of ₱5 for a certificate. Those Chinese persons addicted to the use of the drug who are too poor to purchase the license, or for other reasons did not desire to do so, and Filipinos and foreigners addicted to the use who could not under the law obtain licenses are, by the terms of the act, entitled to free treatment in the hospitals for the cure of the habit. There were some cases of great hardship among Filipinos

and foreigners who had been addicted to the use of opium to such an extent that the immediate and enforced deprivation resulted in illness and apparently in some instances in death. The act of Congress left no discretion on the part of the Commission, which was able to deal with this class of cases only by placing the subjects in hospitals or by allowing the drug to be sold only on physicians' prescriptions. From April 1 to June 30, 1906, certificates were issued to 4,845 habitual users—about one-half in Manila and one-half in the provinces. It is estimated that there are probably not less than 20,000 confirmed users who will ultimately take out users' certificates and who do not wish to be cured, or who believe that they can not be. Many Filipinos and some Americans and foreigners applied for users' certificates, which necessarily were denied. Under the law wholesale and retail dealers are allowed to sell opium to habitual users thereof who possess certificates authorizing them to purchase the same.

It is believed that it is an unwise principle to allow an habitual user of opium to purchase and use the drug as freely as he pleases until March 1, 1908, and then suddenly absolutely to refuse him the use and to eliminate all sources of supply. The recommendations of the committee might have been capable of the construction placed upon them by Congress in the legislation referred to; such, however, was not the intention of the committee. The suggestion of a three-year period was intended to be purely tentative, and it is believed that with the existing prohibition of the entrance of Chinese persons into the islands new smokers can not enter; that the existing ones will gradually be eliminated by death or return to China or by reformation; that the number of habitual users will thus be gradually diminished till the time will arrive when a prohibition of any sale except by the government may wisely be put in force. Such are decidedly the views of Bishop Brent, who was chairman of the committee referred to, and are those of the Commission.

It is therefore recommended that Congress be asked so to modify existing legislation as to leave the question of the absolute prohibition of the importation of opium after March 1, 1908, to the determination of the insular authorities, as circumstances may demonstrate to be wise at that or a later time.

DINGLEY TARIFF.

There has been great and bitter disappointment throughout the Philippine Islands at the failure of Congress at its last session to furnish relief from the excessive duties now imposed by the Dingley tariff upon imports of sugar and tobacco products from the Philippine Islands into the United States. The people had strong expect-

tations that relief in this direction would be afforded them. This was the principal ray of hope which came to them in the midst of their losses from rinderpest, locusts, droughts, and low prices for their products. The news that the House of Representatives had by nearly three-fourths majority passed a bill to afford the desired relief filled them with great hopes, to be followed only by despair when the Senate refused to take action at all. Believing, as the people do, that they are being treated with great injustice in this respect by the Congress of the United States, not only discouragement but disaffection results. They feel that the islands are being exploited for the benefit of interests in the United States by compelling the insular treasury to refund export duties which it collects upon products imported into the United States and there consumed, a refund which goes solely for the benefit of manufacturers of cordage and other users of hemp in the United States; by the passage of laws, although delayed in their operations, compelling all commerce between the United States and the islands to be carried on in American bottoms, which will undoubtedly greatly enhance the cost of transportation by the granting of a monopoly; by changes in the cotton schedule of the Philippine tariff such as to increase the price of cotton goods in the islands for the benefit of manufacturers of cotton goods in the United States, changes which were made discriminative in such way as to exclude foreign manufacturers and thereby enable American manufacturers to fix their own prices free from English and German competition; and by the imposition of such heavy duties upon sugar and tobacco products imported into the United States as to constitute a total prohibition and to close to the Filipinos the markets of a country which they are asked to consider their own, the favorable Spanish markets before available having been closed to them. Arguments upon this subject have been so often submitted by the Commission that it is useless to repeat them in detail. The Filipino asks for justice and fair treatment, and nothing is more apparent to the unprejudiced investigator than that such justice and fair treatment require a reduction of the Dingley tariff upon sugar and tobacco at least to 25 per cent of its present rate upon those commodities imported from the Philippine Islands into the States, which can be made without the slightest impairment of the interests in the United States which have heretofore combined to prevent the act of justice sought.

The United States now takes one-fourth of 1 per cent of the cigars exported from the Philippine Islands. If it took all that are exported it would add a little over 1 per cent of the total number of cigars now being manufactured and consumed in the States. From the last annual report made by the United States Commissioner of

Internal Revenue to the Secretary of the Treasury, it appears that there is a fairly regular annual increase of over 2 per cent in the number of cigars consumed in the United States. During the fiscal year 1904 there were 7,354,788,520 cigars manufactured in that country, and in the fiscal year 1905 there was an increase of 225,466,540 cigars manufactured and consumed. In the fiscal year 1906, 94,341,542 cigars manufactured in the Philippine Islands were exported to all countries; more than 60 per cent of them to China, but if all had been exported exclusively to the United States they would only supply the natural increase in the cigar consumption there for about five months, after which the entire present Filipino cigar exporting trade having been assimilated in the American market, the American manufacturer would continue with all of his old trade plus 2 per cent increase from year to year.

But if there were an absolutely free admission of the Filipino-made cigars into the United States only a comparatively small portion of those produced would seek the American market. Manufacturers would not be willing to abandon their present markets, nor to send all their cigars to the United States. A greater portion of the cigars produced here are of a very inferior quality or grade and are sold in China, and would not find purchasers at all if sent to the United States. Even of the better class of cigars produced in the islands many of them would continue to go to Europe, Africa, and other regions where they have heretofore been sold, and from whence goods are imported into the islands. Comparatively few people in the United States have acquired a taste for Philippine cigars, and the demand for them would be only gradual. The area of lands suitable for raising good tobacco in the islands with any satisfactory means of transportation is very limited. It will be many years before, under the most favorable circumstances and alluring hopes of lucrative trade, tobacco planters could possibly increase the yield of their present holdings, or increase their present holdings so as to supply sufficient leaf for the manufacture of a greater percentage of cigars than are being manufactured here to-day. The supply of tobacco leaf is at present inadequate to meet the demands of the local manufacturers to make cigars for domestic consumption, and most of the leaf is totally unsuited for making cigars for export to the United States and to European markets. The American cigar market would not be appreciably affected by the advent therein of the Philippine cigars, and it would almost immediately become a negligible factor in the cigar problem of that country. But a reduction of the Dingley tariff upon cigars would produce an immense moral encouragement to producers in the islands and a feeling of fair treatment, and cause an elimination of the present feeling of injustice and resentment. It would also open up a market for a portion of the

better cigars made here at remunerative prices, and would stimulate and encourage the improvement in the quality of the leaf tobacco.

The droughts that have prevailed in the sugar-producing regions of the islands during the past year, and the failure to open the markets of the United States so that reasonable prices might be realized, have discouraged the sugar planters to the last degree.

The Commission, with the utmost earnestness, renews its recommendation that Congress be asked to amend the Dingley tariff in such way as to provide free entry into the United States of products of the Philippine Islands, or at least to reduce the duties on those articles to 25 per cent of the present rate.

AMERICAN CAPITAL IN THE ISLANDS.

It is familiar to all who know anything of conditions in the islands that there is and long has been a tremendous lack of capital to develop the latent resources of the islands. The United States is so teeming with enterprises and industries which are highly profitable, that it has been difficult to induce American capital to enter the islands and aid in the long-sought development thereof, yet, in spite of this fact, a brief résumé will show that American enterprise and business sagacity have already made great progress in a field that a few years ago was almost wholly occupied by foreigners. The ancient and inefficient systems of lighting and street transportation in the city of Manila have disappeared, and in their places modern up-to-date systems, in which millions of American money are invested, have been inaugurated and are receiving their just reward in large profits. Harbor works at Manila have involved an expenditure of over \$4,000,000, the contracts for which have been held by enterprising Americans. Harbor works at Iloilo and Cebu are under way, both in the hands of Americans. An antiquated telephone system in Manila has been supplanted by a modern one, all inaugurated and carried on with American capital, a system which will probably gradually extend itself throughout the whole of the island of Luzon, as authorized by the franchise. Concessions have been granted for the construction of 300 miles of railway in the Visayan islands, and work is already under way, due wholly to the business enterprise and the aggregation of American capital. More than 400 miles of new railway in the island of Luzon are now under way, to be constructed by a company organized under a charter granted by the legislature of one of our States, and with American capital. These two enterprises alone will undoubtedly involve between ten and twenty million dollars of expenditure. Electric lighting plants have been instituted at Iloilo and Cebu under American

auspices and with American capital. Where the field before was occupied by three great banks, two English and one largely Spanish, an important American bank has already captured at least its fair share of all the banking business of the islands. Contracts involving millions of dollars for new waterworks and sewer systems for the city of Manila have already been awarded, and awarded to American capital. Contracts have likewise been awarded to citizens of the United States for the construction of two immense steel and cement wharves or piers at Manila. While American enterprise has not taken its proper place in the water transportation of the islands, yet such capital is not wanting here, and the Philippine Transportation Company is making a success. Large lumber concerns have been inaugurated and are carried on in different parts of the islands by Americans, and are seizing considerable portions of the business for both imported and domestic lumber. The largest private stationery and printing establishment in the islands is in the hands of Americans. The second largest establishment in the world for the manufacture of cocoanut products is doing business in the islands, wholly with American capital and under American control. One of the largest importing and exporting wholesale corporations in the archipelago has, under American management, and with American capital, already captured a most formidable portion of current business. Many varieties of most useful and valuable machinery for saving labor and increasing production have already been introduced by Americans, and this is a growing business. American lawyers, physicians, dentists, and merchants are here found in every direction, finding remunerative employment. In some portions of the islands, particularly in Mindanao, American enterprise has made substantial advances in development of the latent and inexhaustible agricultural resources. The most important product of the islands, abaca or hemp, which has no real rival in the markets of the world, is undoubtedly soon to receive a tremendous impetus through new appliances which American skill and American capital are bringing to bear upon this important product. A great aggregation of American capital already interested in the business of purchasing hemp in the islands has absorbed one or two of the larger and older companies and made itself a factor in the handling of that most important commodity. Whatever development in the mining industry has been made is practically all in the hands of hardy and rugged Americans, backed by American capital. The American newspaper man, enterprising here as at home, is a most important factor in shaping public sentiment in the islands.

All this progress has been made, not by depriving Filipinos of industries that before were theirs, but by the introduction of new

capital and new business sagacity that have enabled Filipinos in nearly every case to obtain greater and larger remunerative employment and greater prosperity than ever before. The unoccupied field is still large and will furnish for many years to come outlet for surplus energy and money of citizens of the United States to benefit both themselves and the inhabitants of the islands.

NEW LEGISLATION.

New legislation during the year has not been as extensive as during the earlier and formative periods of the American régime. A brief summary, however, of some of the more important acts will show that the year has not been unfruitful. Laws have been passed authorizing special provincial governments in provinces inhabited mainly by non-Christians; providing for the organization of special townships in regions in part inhabited by non-Christians; revising the whole system of auditing, and reorganizing the bureau of audits; reorganizing the justice of the peace system; regulating the sale of opium and restricting its consumption; providing for district health officers, so that the whole archipelago is divided into sanitary districts with health officers at their head; making appropriations for the fiscal year 1906 for the insular government; making appropriations for the same year for the city of Manila; making appropriations for the insular government for the fiscal year 1907; providing for the speedy disposition of controversies as to the right of title to, administration, and possession of churches, convents, cemeteries, and other church properties; abolishing the court of customs appeals and transferring its duties to the courts of first instance; prohibiting the exportation of Philippine silver coin and bullion made therefrom; establishing a medical school; continuing the Spanish language as the official one in the courts until 1911; establishing a reform school for minors convicted of criminal offenses; authorizing the issue of bonds for public improvements; reducing the age of consent at which persons may marry without the assent of parents or guardians; defining the jurisdiction of the city of Manila for police purposes within a zone surrounding the city; regulating the establishment and maintenance of burial grounds and cemeteries; suspending the land tax for the calendar year 1906, and making appropriations from the insular treasury to reimburse the municipalities and provinces for the income of which they were thereby deprived; extending the provisions of the auditing acts to the accounts of municipal and township treasuries; providing for the education of Filipino students as surveyors; establishing postal savings banks; an act granting a franchise for the Philippine Railway Company; and since July 1, 1906, but before the date of

this report, a chattel-mortgage law; an act granting a franchise for the Manila Railroad Company; an optional road law for the purpose of improving the roads and bridges of the Philippine Islands; a law covering the whole subject of weights and measures, establishing the metric system, and providing uniform standards; a law abolishing all tonnage and harbor dues on ships coming into the Philippine Islands from foreign ports.

In the same connection attention might be called to resolutions of the Commission authorizing the execution of contracts for two new steel wharves at Manila and contracts with steamship companies for interisland service.

There has been a large amount of minor legislation, but the above summary is sufficient to show that the year has been productive of important legislation essential to the best business interests of the islands.

REFUND OF DUTIES ON EXPORTS.

The Commission has repeatedly called attention in its reports to the action of Congress providing for a refund of duties paid on articles exported from the islands to the United States and consumed therein. The reasons that led the Commission heretofore to recommend the repeal of that provision are still operative. Since the passage of that act on March 8, 1902, the amount of duties collected and paid into the Philippine treasury by exporters that has been taken from that treasury and handed over to manufacturers in the United States down to June 30, 1906, is \$1,471,208.47. Nothing is more apparent than that this money has been taken out of the poverty of the insular treasury to be delivered directly into the hands of manufacturers of cordage and other users of Philippine hemp in the United States for their enrichment. The cordage interests are prosperous and do not need this help; the Philippine Islands are poor. It is believed that legislation which takes money directly from the Philippine treasury and passes it over to a particular industry in the United States is not founded on sound principles of political economy or of justice to the Filipinos. We renew our recommendation for the repeal of this provision.

PUBLIC LANDS.

The Commission has heretofore repeatedly called attention to the provision of section 15 of the act of Congress of July 1, 1902, limiting the sale of any portion of the public domain to any individual to an amount exceeding 16 hectares or to any association or corporation to an amount exceeding 1,040 hectares. However beneficent the purposes that were in the minds of the legislators when these limitations were imposed, the practical effect has been to prevent the development of agricultural industry on any large scale in the

islands. Most liberal provisions are made by the public-land act for the easy acquisition of homesteads by Filipinos or others, but there are very few instances of these provisions being taken advantage of. Down to June 30, 1906, but 805 applications have been received for homesteads throughout the whole island, either from Filipinos or Americans, and during the last fiscal year not one sale of public lands was made nor one lease issued. The Filipino is not migratory like the American; he remains largely where his ancestors have lived before him and where the local ties are such that he is unwilling to disrupt them by seeking larger facilities, or better lands, or greater opportunities for enriching himself in new localities. The islands have many acres of arable and fertile land absolutely unoccupied. The people have no means of engaging in large industries, and it would be the greatest of boons if the lands could be more largely occupied and developed, and an example furnished to the inhabitants of what modern appliances and modern methods of cultivation can do and opportunities furnished for the employment of a large number of natives and the cultivation of large haciendas. Capital is not in the islands; it will not come without assurances of fair returns on money invested. The legislation referred to prohibits any such assurance, but on the contrary makes it certain that an industry thus established must be a failure. There is abundant land for the use of all the capital that can be coaxed into the islands, with limitations fairly liberal, and still leave more land for the Filipinos than will be occupied by them apparently for hundreds of years.

We respectfully but urgently renew our recommendation that this legislation be modified, and that firms, corporations, or associations be allowed to acquire public lands not exceeding 10,000 hectares for each individual, association, or corporation.

MINING LAWS.

The mineral resources of the islands have never been to the slightest degree, so far as we are aware, exploited or worked by Filipinos aside from the insignificant gatherings by Igorots of small handfuls of gold and small amounts of copper in the mountains of Luzon. The people have no knowledge of mining operations, no disposition to engage in explorations for the discovery of minerals or for the hazardous business of developing them; nor have they financial resources to enable them to do so. There are undoubtedly deposits of gold, copper, and of coal in the islands, but whether they are in such quantities and such locations that they can be profitably developed and brought into utility has not yet been determined, nor will it be determined probably in the lifetime of living men unless proper opportunities and facilities can be furnished for investigation, exploration, experimentation, and development. This work

must be done primarily by Americans. If unsuccessful, Americans suffer the losses; if successful, they will make the profits, but they will thereby furnish remunerative employment to a great number of Filipinos and markets for large amounts of native products. The development of the mineral resources is of vital importance, particularly that of coal. If coal can be developed sufficient in quantity to warrant its working, every manufacturing industry in the islands will receive a stimulus and all navigation and transportation by steam will be immediately facilitated and cheapened. Should it be shown that the industry is a profitable one, there is no reason why enterprising Filipinos should not themselves engage in it. But they would be hampered, limited, and prevented from any successful enterprise by the stringent limitations imposed by the provisions of the act of Congress approved July 1, 1902, limiting the number of mining claims that may be owned by any one person or corporation. Nor is any definite provision made for the granting of any licenses for exploration and mining of gold or other precious metals in navigable and shoal waters between low and mean high tide on shores, bays, and inlets of the islands. On the island of Masbate, particularly, considerable deposits of gold have been found in the shoal waters, and several hundred thousand dollars have already been expended in the introduction of machinery for dredging the streams, but apparently without adequate provision of law. It is believed that the act of Congress referred to should make specific provision on this subject, so that licenses, under proper restrictions, may be granted for the carrying on of what is being already done for the benefit of the islands without any definite authority of law.

It is most desirable, also, that the time within which one may perfect a coal claim and purchase the land should be extended. Careful exploration is necessary before making the final great expenditure involved in developing a coal mine. Great difficulty is involved in getting experts to come to the islands for the purpose of making explorations, in securing the services of diamond-drill men, etc., all of which necessarily results in the lapse of considerable time, if a thorough investigation is to be made as to the value of the claim before paying for it. There should be an extension of the time within which one may perfect a coal claim and purchase the land.

It is also desirable that that portion of the act of Congress which forbids the filing of more than one mining claim by an individual upon the same vein or lode be so amended as to prohibit the owning or holding of more than one mining claim at one time. This will enable a miner, if he ascertains that a claim on which he has filed is worthless, to abandon it and to file another claim upon a lode or deposit. The mining laws in general ought to be liberal in order to

induce the exploration and development of the resources of the islands, instead of being surrounded by such restrictions as to make such development practically impossible.

THE INSULAR CUSTOMS TARIFF.

A liberal citizen of the United States desires to present to one of the Protestant churches in the islands a pipe organ of the value of \$10,000. It appears, however, that, under the classification made by the existing tariff-revision law of 1905, the customs duties upon the organ would amount to more than \$5,000, a tax so high that the organ will not be given or imported. This incident and others suggest the query as to whether the Philippine tariff law of 1905 might not properly be so amended as to admit to the islands free of duty articles designed and imported solely for religious purposes, excluding wines. Such an amendment would admit musical instruments, vestments, sacred utensils for communion purposes, altars, furniture, images, statues, etc. The loss of revenue probably would not be large, and in the particular case cited would bring into the islands a finer musical instrument than apparently would otherwise for many years enter.

No specific recommendation upon this subject is made, but the suggestion is submitted that an amendment along the lines stated might be useful and free from special difficulties of administration.

The construction and repair within the islands of vessels has been subject to very great embarrassment and difficulty, owing, in part, to the competition at Hongkong, where labor is much cheaper and materials are available without payment of customs duties. It is believed that it will be conducive to the interests of Philippine industries that stimulus should be given to the construction and repair of vessels within the islands, and that such stimulus may properly be afforded by relieving the materials imported for this purpose from the payment of customs duties. This can be done by extending the provisions of section 23 of the tariff revision law of 1905 so as to authorize a drawback of the duties imposed upon materials imported for the construction and repair of vessels in the Philippine Islands, the drawback in such cases being made available as if the materials so used were exported from the islands.

It is recommended that legislation to that effect be requested.

COAST AND GEODETIC SURVEY, TOPOGRAPHICAL SURVEYS, LIGHT-HOUSE SERVICE, AND QUARANTINE SERVICE.

Attention was called in our last report to the large expenses incurred by the insular government from year to year in the quarantine service, for the coast and geodetic survey, and for the light-house

service, including new construction, and a recommendation was made that Congress be asked to assume these works, or more largely to aid the insular government in carrying them on. These recommendations are renewed, so that in these respects the government of the Philippine Islands may be placed on the same basis as that of Porto Rico and Hawaii. These recommendations are made, not merely in view of the fact that most of the services referred to affect general commerce and are in the interest of the United States and of all commercial nations, but also of the fact that the expense of topographical surveys in particular is far outside the financial resources of the islands, and many years must elapse before such surveys can be completed, based upon insular revenues alone.

SPECIFIC RECOMMENDATIONS.

The Commission begs to make the following specific recommendations, some of which, as above stated, are renewals of recommendations made in former reports:

First. Legislation which shall reduce the duties on sugar and tobacco exported from the Philippine Islands into the United States to not more than 25 per cent of the present rates fixed by what is known as the "Dingley tariff law."

Second. That the amount of land which may be acquired, owned, and used for agricultural purposes in the Philippine Islands by any individual or corporation be extended to 10,000 hectares.

Third. That that provision of the act of Congress which forbids the filing of more than one mining claim by the same individual or corporation upon a lode or deposit be amended so as to prohibit only the owning of more than one claim at any one time by the same individual or corporation upon a lode or deposit, and so as to make specific provision for the granting of licenses for the exploration of mining for gold and other precious metals by citizens of the United States or persons who have legally declared their intention to become such, or of the Philippine Islands, in navigable waters and all shoal waters between low and mean high tide upon shores, bays, and inlets of the Philippine Islands, subject to such limitations and regulations as may be provided by the government of the Philippine Islands, as to exempt navigation from artificial obstruction or to protect prior vested rights.

Fourth. That section 56 of the act of Congress approved July 1, 1902, entitled "An act temporarily to provide for the administration of the affairs of civil government in the Philippine Islands, and for other purposes," may be so amended as to extend the time for development and payment of coal claims to three years.

Fifth. That that portion of section two of the act of Congress approved March 8, 1902, entitled "An act temporarily to provide rev-

enue for the Philippine Islands, and for other purposes," which requires that all export duties upon articles exported from the Philippine Islands and consumed in the United States shall be refunded, be repealed.

Sixth. That the Philippine government be authorized to establish in the islands an agricultural bank by private capital, the principal of which shall be guaranteed by the government of the Philippine Islands, and interest not to exceed 4 per cent per annum, with a limited total liability of the government during any single year not to exceed \$400,000, and the liability not to extend beyond twenty-five years.

Seventh. That the work of the coast and geodetic survey, lighthouse construction and service be paid for by appropriations made from the Treasury of the United States, the work to be carried on by the proper bureaus of the government of the Philippine Islands; that the expense of the quarantine service be borne by the Government of the United States, and that topographical surveys be authorized and made by the United States Government.

Eighth. That existing legislation by Congress be so modified as to leave the question of the absolute prohibition of the importation of opium, after March 1, 1908, to the determination of the insular authorities, as circumstances may require.

Respectfully submitted.

HENRY C. IDE,

President.

JAMES F. SMITH,

DEAN C. WORCESTER,

T. H. PARDO DE TAVERA,

JOSÉ R. DE LUZURIAGA,

W. CAMERON FORBES,

Commissioners.

To the honorable the SECRETARY OF WAR,
Washington, D. C.

REPORT OF THE GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR-GENERAL OF THE PHILIPPINE ISLANDS FOR THE FISCAL YEAR 1906 AND OTHER STATED PERIODS.

MANILA, P. I., *September 1, 1906.*

GENTLEMEN: I have the honor to present to the Commission the following report of the bureaus and offices which report directly to the governor-general, and also of the various provincial governments. The period covered by this report will be the fiscal year 1906 unless otherwise stated.

CITY OF MANILA.

By virtue of act No. 1407 the executive control of the city of Manila was transferred from the governor-general to the secretary of finance and justice, and the comments in regard to the city will be found in the report of the secretary of finance and justice, and not in that of the governor-general as heretofore.

INSULAR PURCHASING AGENT.

By the same act the supervision of the office of the insular purchasing agent has been transferred from the governor-general to the secretary of public instruction, whose report therefore will contain the facts in regard to that bureau.

BUREAU OF CIVIL SERVICE.

Under the reorganization act, made effective November 1, 1905, the organization of the civil-service board was changed to that of the bureau, with a director at the head and two assistant directors to perform prescribed duties and to act in the absence of the director. The change was made because it was believed that there would be a gain in efficiency by substituting a bureau organization for that of a board. Dr. W. S. Washburn, who was chairman of the civil-service board, was made director of the bureau of civil service.

During the fiscal year examinations of 5,293 applicants were rated by the office; 702 Americans, of whom 57 per cent passed, were examined, as compared with 1,198 examined during the preceding year. Two thousand two hundred and thirty-one Filipinos, of whom 18 per cent passed, were examined in English, as compared

with 1,753 during the preceding year. The number of Filipinos examined in Spanish was 1,793, of whom 41 per cent passed, as compared with 3,555 examined during the preceding year. There was, therefore, a considerable increase in the number of Filipinos examined in English. The decrease in the number examined is due to a variety of causes, which are fully set forth in the report of the director, which is hereto annexed and marked "Exhibit No. 1." Among the important causes of decrease in the numbers examined is the reduction of force that was put into operation during the year, there being after the reduction less chance of appointment than before.

During the year 593 original appointments were made, as a result of examinations held in the islands, as compared with 1,002 during the preceding year. Four times as many Filipinos as Americans were appointed from the eligible registers of the office this year. There were also 142 original appointments made in the United States to the Philippine service, including two transfers from the Federal service. Difficulty has been found in securing eligibles in the United States who would accept appointments in the islands at the salaries fixed. This is particularly true of stenographers, civil engineers, surveyors, persons with professional, technical, or scientific qualifications, and expert machinists. There have been many transfers in the service, resulting in promotions of efficient employees.

The director of the bureau of civil service calls attention to the tendency of well qualified and experienced employees to resign after a few years' service. He attributes this tendency, in part, to the uncertainty of tenure, owing to the possibility of the abolition of positions by a reduction of force. This fear, however, ought not to be especially operative, because the most efficient employees are in all cases retained, and if their positions are abolished they are transferred to others equally as good or better. The difficulty in attracting well-trained clerical employees from the United States is due in part, also, to the great demand in the United States for persons with such qualifications and in part to the call for them for employment in connection with the Panama Canal, where larger salaries are paid for like services than in the Philippine Islands. But the specially favorable conditions that are given in the Philippine Islands in respect to vacation and accrued leave, the prospect of rapid promotion, and the vastly superior conditions of health of the Philippine Islands as compared with Panama ought to induce competent persons to engage in the insular service.

Accrued leave was primarily intended to enable employees to visit the United States, whereby Americans could regain their strength and vigor, and the Filipino employees could gain a knowledge of American institutions and become acquainted with the customs of the

American people, which would be of great value in the service. The maximum annual liability for accrued leave is nearly one million pesos. Much of the accrued leave enjoyed by employees is now passed in the Philippine Islands, thereby defeating the purposes of the original intention of the law. The acting director recommends that the civil-service law be so modified as not to permit the granting of accrued leave to be passed in the islands. The director, Doctor Washburn, who is now absent on leave in the States, has heretofore recommended that no accrued leave be granted to employees receiving less than ₱2,400 per annum, or some other minimum salary. Apparently one of the two plans proposed, or some modification thereof, ought to be adopted for the protection of the treasury and of the service generally.

It is recommended that this subject be taken up by the Commission at an early date.

THE EXECUTIVE SECRETARY.

The report of the executive secretary is hereto annexed and marked "Exhibit No. 2."

Under the reorganization act the work of this important bureau has been materially increased. To it has been transferred the duties formerly performed by the bureau of archives, the administrative control of provincial treasurers formerly vested in the insular treasurer, the registration duties incident to the formation and functioning of corporations under the new corporation act, the work of editing the supreme court reports and the Official Gazette, heretofore performed by special officials.

The executive secretary calls attention to the instability of the Philippine civil service, which is elsewhere commented upon in the report of the director of civil service.

He recommends that when taxes on lands are not paid in accordance with law, the land should be declared forfeited to the insular government and added to the public domain, instead of being sold at public auction to the highest bidder. The arguments in favor of this change in the law, owing to the confusion of titles presented by the present system, are worthy of serious consideration by the Commission. It would probably relieve many of the existing causes of discontent arising from the sale of lands at very low prices and would be a favor to original owners if they were given the preference of the right of purchase for a period of six months at a reasonable price, to be fixed by the government.

A larger number of applications for executive clemency have been received during the past year than in any previous one, and that involved very much additional labor on the part of the executive bureau in the necessary investigation to facilitate action by the

governor-general. In this connection, executive order No. 24 was issued on May 1, 1906, appointing a special committee for the purpose of examining the records in all cases of prisoners under sentence in the Philippine Islands for bandolerismo, sedition, or insurrection, with a view to determining who, if any of such prisoners, might be set at liberty without endangering the public peace and without affording encouragement to the enemies of good order. This committee, consisting of two judges of the supreme court, two judges of the court of first instance, and the acting director of Philippine constabulary, entered upon its duties and determined that the prisoners convicted of the offenses named in certain provinces where the conditions regarding public order were not entirely satisfactory would not be recommended for pardon until conditions in those provinces could be made more satisfactory. The committee also recommended that pardons should be conditioned upon the recipient's good behavior for a period of five years subsequent to his release, and that during such period he should report from time to time to certain specified officials. This recommendation was acted upon by the governor-general in granting the pardons recommended by the committee. On the recommendation of the committee 68 prisoners were released on July 4, 1906. The committee has continued its labors along the same line under directions from the governor-general, and will so continue until all cases of the classes named have been investigated and reported upon.

During the year 3,764 applications for pardons have been received, 461 granted, and commutations have been made in 35 cases; 924 petitions have been denied and there are pending 2,344, largely consisting of the classes of cases referred to the committee above named.

Municipal elections were held on the first Tuesday in December, 1905, at which the president, vice-president, and concejales were selected for each municipality. These elections, as well as those for provincial governors, hereafter referred to, were conducted on the whole in an orderly manner and without disturbance of the public peace, but a large number of the former were protested and many of them were annulled by the provincial boards, the declared results not being deemed to represent the actual will of the electors, by reason of frauds, intimidations, or bribery. In such cases new elections were ordered. The vices attending public elections are very apparent in the Philippine Islands as well as elsewhere, and probably much more so than in well-organized countries which have had long experience in ascertaining justly and fairly the will of the majority. Some of the elections were vitiated by failure to observe the requirements of the municipal code, which in some particulars is incomplete, and the whole subject of municipal and provincial

elections, and elections to the Philippine assembly, about to be established in accordance with the act of Congress, is being dealt with in an act prepared under the direction and supervision of the executive secretary for submission to the Commission, revising the whole subject of all elections in the islands. This act is a very important one and will correct many of the difficulties that have heretofore occurred by providing for contingencies not anticipated at the time of the enactment of the provincial and municipal codes. The early consideration of this bill is exceedingly desirable.

On the 5th of February last elections for provincial governors were held in 29 of the 38 provinces, the governorship being an appointive office in 6 provinces, largely inhabited by non-Christian peoples, and in 3 provinces, Cavite, Samar, and Isabela, elections have been postponed under authority of act No. 1043. The province of Isabela is now in such a completely pacified condition that it is believed an election for governor ought to be held. It is recommended that one be held in December next to elect a governor who shall complete the unexpired portion of the term which the governor would have served had he been elected at the regular time. The same considerations apply in some degree to the province of Cavite, and it is probable that a provincial election ought, within a reasonable time in the future, to be ordered for that province. Conditions in Samar are not such yet as to warrant an election.

Fifteen of the 29 elections were protested upon various grounds, such as alleged purchase of votes, coercion, and intimidation of voters, allowing nonqualified persons to vote, and the use of marked ballots. All the regular elections were confirmed by the governor-general, with the exception of those in Bataan and La Union, where new elections were ordered because the will of the electors had not been fairly ascertained. In both of those provinces the former governors were candidates for reelection. In La Union the result was the same as at the regular election, but in Bataan a new governor was chosen. A very small proportion of the whole population qualified as voters for the municipal elections, as will appear from Exhibit F, attached to the report of the executive secretary.

It is unnecessary here to review in detail the work of the Commission during the year. That work is already familiar to the members of the Commission and is set forth at length in the annexed report of the recorder of the Commission, who calls attention to the important acts which have become laws during the year. Among others attention might be called to the special provincial government act, the township act, the auditing act, the reorganization act, the reorganization of the justice of the peace system act, the opium act, the district health officers act, the insular appropriation bills and those for the city of Manila, an important act providing for the

speedy disposition of controversies as to the right of administration or possession of churches, convents, cemeteries, and other church properties, with a view to ending the numerous controversies prevailing all over the islands as to the title to and right of administration of such properties; acts abolishing the court of customs appeals, prohibiting the exportation of Philippine silver coins, establishing the medical school, continuing the Spanish language as the official one in the courts until January 1, 1911, establishing a reform school for minors convicted of criminal offenses, authorizing the issue of bonds for public improvements, reducing the age of consent at which persons may marry without the consent of parents or guardians, more clearly defining the jurisdiction of the city of Manila for police purposes within a zone surrounding the city, regulating the establishment and maintenance of burial grounds and cemeteries, suspending the land tax for the calendar year 1906, and making appropriations from the insular treasury to reimburse the municipalities and provinces for the amount of the income of which they were thereby deprived; extending the provisions of the accounting act to the audit of accounts of municipal and township treasurers by district auditors, providing for the education of Filipino students as surveyors, establishing postal savings banks; an act granting a franchise for the Philippine Railway Company; and, since July 1, 1906, which may properly be here referred to, the chattel mortgage law, a franchise for the Manila Railroad Company, an optional road law for the purpose of improving the roads and bridges in the Philippine Islands, a law covering the whole subject of weights and measures and establishing the metric system and providing uniform standards, the insular appropriation bill for the fiscal year 1907, and a law abolishing tonnage dues on ships coming into the Philippine Islands from foreign ports, and other minor legislation, details of which need not be here referred to. It is apparent that the year has been productive of much important legislation believed to be essential to the best business interests of the islands.

By resolutions of the Commission important action has been taken authorizing the execution of contracts for two new steel wharves at Manila and contracts with the steamship companies for interisland service.

Comment upon this legislation is not strictly necessary for the purposes of this report but would more properly appear in the report of the Commission to the Secretary of War, but inasmuch as the facts herein stated have been included in the report of the Recorder of the Commission to the Executive Secretary and by him made an exhibit to his report, it is deemed advisable to call the attention of the Commission to this brief summary.

CHANGE IN THE CHIEF EXECUTIVE.

Governor-General Wright left the Islands on November 4, 1905, for a six-months leave and Vice-Governor Ide became Acting Governor-General from that date on. In January, 1906, it was determined by the President of the United States that Governor-General Wright should be appointed Ambassador to Japan. On taking his oath of office on March 31, Acting Governor-General Ide was appointed Governor-General and was inaugurated on April 2, 1906.

REPORTS OF PROVINCIAL GOVERNORS.

The provincial governors, in accordance with law, have made their annual reports for the fiscal year to the Executive Secretary, which are attached as exhibits to his report. These reports contain most valuable data. They show an increased efficiency in administration and an earnest desire on the part of authorities to improve existing conditions. They likewise show uniformly greatly improved conditions in the relations between the constabulary officials and the provincial governors and other local officials. The friction which had in some cases before existed between the constabulary and the local officials has very largely ceased and nearly every provincial governor who speaks of the constabulary officers in his report speaks of them as most helpful auxiliaries and aids in the promotion of good order. The conditions of good order have improved materially during the year, speaking generally. Many of the provinces have been in a condition of absolute tranquillity during the whole year. In some, fanatical sects have created more or less disturbance. This is true in portions of northern central Luzon and in Samar and Leyte. In the two latter provinces conditions are unsatisfactory and the aid of the military authorities has been invoked and has been freely rendered. In this connection it ought to be remarked that during the whole year the relations between the military and civil authorities have been most cordial, and cooperation and helpfulness on the part of the military authorities have been most marked. Major-General Corbin and his successor, Major-General Wood, successively in command of the United States Army, Philippines Division, have each been ready at all times to respond to any call made by the civil authorities and to respond in a manner most satisfactory and useful in accomplishing the results sought.

In some provinces little or no interest is taken in general political subjects, although great interest is excited by local elections. In the city of Manila agitation of political factions in view of the approach of the elections for the popular assembly, has been marked by increased intensity and bitterness.

Conditions of health, in general, have been as good as in former years, except as to cholera, but the prevalence of cholera has not at any time assumed the dimensions of an extensive epidemic, and is now, owing to the efficient work of the health authorities, apparently under control. Smallpox has been nearly extirpated by general vaccination and rigid enforcement and isolation of cases. Pulmonary tuberculosis continues to cause a large percentage of deaths throughout the islands.

Upon the subject of agricultural conditions the reports of provincial governors are of special interest. Taken as a whole, they indicate that the crops are in a more prosperous condition than in any former year since the American administration and occupancy began, except as to tobacco, hemp, and sugar. The tobacco industry appears to have suffered a marked diminution, while in rice, maguey, and copra there has been a steady increase in production and in planting. The reduced production of hemp is owing mainly to the severe typhoon of September 26, 1905, and that of tobacco, in part, to the lack of a suitable market by reason of high duties in the United States, and to the low prices realized for the leaf. In some provinces the amount of new planting of hemp, or abacá, and maguey is far in excess of that which has occurred in any former year.

Visits to the provinces by the governor-general, which are exceedingly useful and important, have not been as numerous as is desirable. During the whole month of August, 1905, the Taft party was in the islands and the governor-general and the Commission were devoting their time particularly to that party. Governor-General Wright and all the other commissioners except the vice-governor and Commissioner Luzuriaga, accompanied the party on their tour through the southern islands, and obtained valuable information in this way. During the latter months of Governor-General Wright's stay in the islands he was necessarily busily engaged in closing up affairs before his departure. The Commission were at Baguio during practically the whole of the months of April and May, and while there brought all the work pending before them substantially up to date. In June Governor-General Ide, accompanied by Commissioner Tavera and others, made a tour through the provinces of Laguna, Tayabas, and Batangas, and met the provincial governors and the concejales, made addresses to them, and secured from them most valuable information. Conditions in the provinces of Laguna and Tayabas are especially good. A very large amount of new planting is being done in both provinces, and the conditions of good order are satisfactory, and many miles of new and good roads have been built.

In Batangas, while the same amount of progress has not been shown, yet the provincial governor stated that he had recently made a tour of all the towns in the province, and that there was an average increase of 40 per cent in the area of lands under cultivation, as compared with the preceding year.

In the province of Cebu the outlaws, who have heretofore constituted a formidable element, have practically all surrendered during the year owing to the activity and efficiency of Governor Sergio Osemeña. In the provinces of Rizal, Batangas, and Cavite the organized bands of ladrones have almost completely ceased to exist, owing in large part to the surrender of the outlaws Montalon, de Vega, Sakay, Villafuerte, and Natividad, which were secured largely through the efficiency of Col. H. H. Bandholtz, acting director of the Philippines constabulary.

MORO PROVINCE.

The Moro Province has been especially fortunate in having had for its governor for a period of years Maj. Gen. Leonard Wood, U. S. Army, a most distinguished and successful administrator, who retired from that position on April 16, 1906, upon his assignment to the command of the Philippine Division of the United States Army. On that date he was succeeded by Brig. Gen. Tasker H. Bliss, U. S. Army, who is the present governor of the province. General Bliss has also had much experience as an administrator, and his appointment may be deemed a continuance of the good fortune that has befallen this province in having most competent men at the head. The province has made and is making large progress in many directions, a result which must be attributed in great part to the ability of the two governors.

The condition of public order has been good during the year in general, aside from the necessity that existed for destroying a band of outlaws on Mount Dajo near Jolo, the history of which pertains rather to the military department than to the civil.

The Moro exchange at Zamboanga has steadily developed, and carries on a considerable amount of business with great satisfaction to the Moros and other non-Christian tribes, as well as to the business community in general.

Large numbers of hemp and cocoanuts are being planted in the district of Zamboanga, as well as that of Davao. Friendly relations are becoming more and more established between the Moros and the hill tribes on one side and the Christian Filipino population, Ameri-

cans, and foreigners on the other. The repeated attacks on sentinels, hunting parties, etc., which formerly prevailed have largely passed away. The death of Datto Ali was mentioned in the last report of Governor-General Wright, which event occurred on October 22, 1905. Since his death the Cotabato valley has been peaceful and orderly. People have gone back to their lands and resumed their work. In the district of Davao Governor Bolton, who had been remarkably successful in administering the affairs of his district, was killed by a treacherous native belonging to one of the hill tribes, who was subsequently hunted down and killed by the military authorities. The most regrettable death of Governor Bolton does not indicate hostility on the part of the hill people, but grew out of a supposed slight, by reason of which strong personal animosity was aroused.

A considerable number of Japanese have settled in this district, but it has not been found that they were desirable settlers. They proved to be restless and not especially anxious to work, and have on the whole been a disappointment to planters, who greatly need labor. General Wood recommends that immigration should be encouraged, not only from the United States, but from the south of Europe. He believes that people from those regions who are accustomed to a warm climate prefer it and will do well in these islands.

Slavery and the slave trade have been substantially ended throughout the whole province, where both had always prevailed prior to American occupation, and indeed continued substantially until the abrogation of the Bates treaty.

Road building has been carried on as rapidly as the finances of the province would permit and the new provincial building at Zamboanga is nearing completion. Experience has demonstrated in that province, as in all others, that it is a waste of money to build any road in the Tropics except one of a most substantial character, well drained and with numerous and large culverts wherever necessary, otherwise the destructive effects of storm and wear are disastrous and will undo all that has been done in the way of construction.

The finances of the province are in good condition and revenues have largely increased during the year.

The province had at the beginning of the year a balance of.....	₱407, 457. 77
It received during the year from Insular funds.....	17, 861. 08
From provincial revenues.....	204, 536. 12
From customs revenues.....	318, 391. 10
<hr/>	
Making a grand total of receipts from all sources during the year	948, 246. 07
Its expenditures for all purposes amounted to.....	869, 531. 72
<hr/>	
Leaving on hand at the close of the year a balance of.....	78, 714. 35

The province hereafter must depend upon its own resources and it has been decided to begin at once the accumulation of a reserve fund of approximately ₱100,000 to meet emergencies that may arise from time to time.

During the year the public land act has been extended in part to different portions of the province, in accordance with the recommendations of the legislative council of the province; but a very large portion of the inhabitants are savages and have no knowledge of the benefits to be secured under that act, and it will be long before any large numbers of them will take advantage of its beneficent results.

The collection of the cedula tax has made progress, notwithstanding considerable opposition on the part of the Moros to the payment of any tax which to them indicated their subordination to other authorities than those to whom they were accustomed to pay tribute.

The lumber industry has developed to a considerable extent during the year, but much more capital is needed for the highest success.

Tribal ward courts have been organized wherever feasible and they are gradually bringing the native inhabitants into closer relations with the government, although many of them as yet are hardly touched by any governmental influence.

The cost of education has been larger per capita in this province than in any other part of the islands, the cost being ₱29.93 per child of enrollment and ₱62.73 per child of average attendance for the year.

By virtue of legislation by the Moro legislative council teachers are authorized to inflict reasonable corporal punishment upon pupils when necessary. The council have also provided for compulsory attendance of children of school age. How effective such provision can be until more funds are available for constructing schoolhouses and the employment of teachers is a question not yet satisfactorily answered.

Subsidies have been authorized by the council for the purpose of securing better steamship transportation facilities. It is the opinion of Governor Bliss that the material increase in customs collections is attributable in large part to the increased facilities secured by reason of the subsidies, and that the money so expended has been much more than returned in the form of such increase. There has been an increase during the year of nearly 80 per cent in customs receipts at Zamboanga. The relations between the government officials of the province and the constabulary have been cordial and mutually helpful during the whole year. The constabulary have rendered efficient and valuable service.

General Wood repeats his recommendations that he had made in former reports in regard to adding portions of the province of

Misamis to the Moro Province, and also as to the separate recommendation which he had before made, that the entire provinces of Misamis and Surigao should be incorporated in the Moro Province. The reports of the governors of these provinces are of special value and interest and are included under "Exhibit I" of the report of the executive secretary, which is hereto annexed and marked "Exhibit 2."

Respectfully submitted.

HENRY C. IDE,
Governor-General.

To the PHILIPPINE COMMISSION,
Manila, P. I.

EXHIBIT No. 1.

SIXTH ANNUAL REPORT OF THE DIRECTOR OF CIVIL SERVICE.

MANILA, P. I., August 9, 1906.

GENTLEMEN: In accordance with the requirements of section 7 of Act No. 5 that this office report annually to the governor-general and the Commission its proceedings, the changes made in the civil-service rules and the practical effect thereof, and make suggestions for carrying out more effectually the purpose of the civil-service act, the following report, covering the fiscal year ended June 30, 1906, is respectfully submitted:

CHANGE IN ORGANIZATION.

Civil-service commissions or boards of foreign nations, of the United States, and of States and municipalities in the United States are generally composed of three members, a chief examiner and a secretary, the last two positions usually being held by two persons but sometimes by one. The Commission directs the policy and the chief examiner and secretary have charge of the executive work.

From the beginning the law provided that the members of the Philippine civil-service board should perform the duties of chief examiner and secretary of the board in addition to the duties usually performed by members of civil-service commissions. It had long been felt that there could be a gain in efficiency by substituting a bureau organization for the board organization. This change in organization was originally suggested by Mr. Frank M. Kiggins, one of the first chairmen of the Philippine civil-service board, and was again presented to the Commission by the acting chairman in July, 1903, at the discussion of the appropriation bill. On October 26, 1905, the change was made by the following enactment of the Commission (the reorganization act), to be effective November 1, 1905:

"The bureau of civil service shall have one chief and two assistant chiefs who shall be appointed by the governor-general, by and with the consent of the Philippine Commission, and who shall be known respectively as the director of civil service and the assistant directors of civil service. Unless otherwise provided by this act, the director of civil service shall perform the duties now imposed by law on the Philippine civil-service board and on the chairman of the Philippine civil-service board, and such other duties as may be required of him by this act. The assistant directors of civil service shall perform such duties as may be required of them by the director of civil service. The assistant director of civil service designated by the governor-general shall perform the duties of the director of civil service during the absence or disability of the latter. The salary of the director of civil service shall be eight thousand pesos and that each of the assistant directors of civil service six thousand pesos per annum: *Provided, however,* That the incumbent of the office of director of civil service at the time of the passage of this act shall be entitled to receive during his incumbency the salary now prescribed by law for the chairman of the Philippine civil service board [P10,000].

"The bureau of civil service shall perform the duties and render the services now prescribed by law for the Philippine civil service board, except as herein provided."

Upon the passage of this act the chairman of the civil-service board was made director of civil service, and the two members of the board were appointed assistant directors. Since January 15, 1906, the director of civil service has been on leave and the undersigned has been acting director.

The reasons making it desirable to have a board organization in the United States do not exist to the same extent in the Philippines, where politics have

less effect on the civil service. It is essential to the success of the new plan that the head of the bureau of civil service be a man of high character, energy, courage, and force of character, absolutely nonpartisan, and that he have equal weight and influence with the chiefs of the other important bureaus. Under the above-quoted provision of the reorganization act, future directors of civil service will be near the foot of the list of bureau chiefs in point of compensation, only two receiving a less compensation; five assistant chiefs of bureaus will receive a greater compensation. If carried into effect this will undoubtedly lower the prestige of the bureau and render the success of the new organization problematical. It is believed that the standing of the bureau should not be thus lowered.

EXAMINATIONS.

During the year covered by this report the examination papers of 5,293 applicants were rated by this office. It has not been possible to complete the rating of the papers of the persons who took the teacher and Filipino teacher examinations in June, 1906; these examinations are therefore excluded for both fiscal years in the following comparison of numbers who entered educational examinations in 1904-5 and 1905-6.

During the year 702 Americans, of whom 398, or 57 per cent, passed, were examined, as compared with 1,198 during 1904-5, of whom 681, or 57 per cent, passed; this was a decrease of 496, or 41 per cent, in the number of Americans examined. During the year 2,231 Filipinos, of whom 401, or 18 per cent, passed, were examined in English, as compared with 1,753 during the preceding fiscal year, of whom 368, or 21 per cent, passed; this was an increase of 478, or 27 per cent, in the number examined. The slight decrease in the per cent of those passing is due principally to the fact that a greater proportion entered the more difficult grades of examinations. The number of Filipinos examined in Spanish during the year was 1,973, of whom 816, or 41 per cent, passed, as compared with 3,555 during the preceding year, of whom 1,507, or 42 per cent, passed; this was a decrease of 1,582, or 45 per cent.

From these figures it will be seen that there was a decrease of 44 per cent in the total number of Americans examined in English and Filipinos examined in Spanish, and a considerable increase in the number of Filipinos examined in English. The proportions passing are either the same as or slightly less than during the preceding year.

The decrease in the number examined is due to several causes: First, a revised schedule of examinations held in Manila has been in effect, under which only the second and third grade English examinations and other English examinations of which these form parts have been given monthly; other examinations, some of which it was formerly necessary to hold monthly or oftener or in alternate months, are now given at intervals of from three to twelve months. Second, competitors who fail to obtain a rating of at least 65 per cent are not allowed again to enter the same examination within six months. Third, applicants, especially those for the Filipino teacher examination, whose lack of education or previous failures in similar examinations indicate that they are incapable of obtaining a rating near that required for eligibility are advised not to waste their own time and the time of the examiners by taking examinations. Fourth, the reduction of force going on during the first half of the fiscal year reduced the number of applicants, owing to there being less chance of appointment. Additional reasons are the slightly increased difficulty of clerical examinations as shown by the revised manual of information, a spread of the knowledge that entrance to the service from the lower grade examinations is obtained only by those who qualify with high ratings, the fact that a majority of the employees in the service have qualified in promotion examinations during the last five years, and the requirement of a 20-centavo documentary internal-revenue stamp for the oath on the application.

APPOINTMENTS IN THE CLASSIFIED CIVIL SERVICE.

During the year 593 original appointments were made as a result of entrance examinations held in the islands, as compared with 1,002 during the preceding year. The number of Filipinos appointed from Spanish registers was 300, as compared with 565 during the preceding year; 174 Filipinos were appointed from English registers and 119 Americans were appointed from English registers, a total of 293, as compared with 437 appointments from English registers

during the preceding year. Four times as many Filipinos as Americans were appointed from the eligible registers of this office during the period covered by this report.

The total number of original appointments in the United States to this service during the year was 142, including 8 transfers from the Federal civil service, as compared with a total of 225 for the preceding year. There were also 12 appointments by reinstatement made in the United States during the year. The number of teachers appointed was 109, as compared with 151 for the preceding year; of the 109 teachers, 26 were appointed as a result of the assistant examination. There was a marked decrease in the number of stenographers and typewriters appointed in the United States, 7 having been appointed during the period covered by this report, as compared with 22 during the preceding year; this decrease, however, was due not to a smaller demand for stenographers, but to the extreme difficulty in securing eligibles who would accept appointment to this service at the entrance salaries fixed. Similar difficulty was encountered with regard to nearly all appointments in the United States, and particularly with regard to civil engineers, surveyors, persons with professional, technical, or scientific qualifications for the bureau of science, and expert machinists for the bureau of prisons and the bureau of printing.

The total number of local appointments through changes in the classified service (promotion, reduction, transfer, and reinstatement) was 2,804, as compared with 2,573 during the preceding year. The number of transfers as shown by the tables in the appendix^a includes only transfers from one bureau to another made on requests of chiefs of bureaus, and not transfers of whole divisions from one bureau to another due to the reorganization act. It will be noted that although there was a great decrease in the number of original appointments, there was a considerable increase in the number of changes in the service.

During the year 65 appointments, 51 original and 14 by promotion, transfer, or reinstatement, were made in the Federal civil service in the islands upon certification of this office; 112 were made during the preceding year.

TENURE OF OFFICE.

The decrease in the number of original appointments, as shown above, was due principally to a decrease in the number of government employees rather than to increased stability. It must be stated, with regret, that there has been no change in the tendency for the best qualified employees to resign after from two to five years of service. The method that was adopted in reorganizing the government service and reducing the force has tended to instability in the service. Because of the impossibility of ascertaining until the appropriation act had passed the reductions that would be made in the force, in some bureaus new appointments were made up to the date of the reorganization, when employees of other bureaus that might have been transferred to the vacancies were dropped "on account of reduction of force." It is possible that many of the persons so dropped were, in fact, more or less inefficient. However, "reduction of force" was the reason given for the removals, and as a result there is at present a feeling of uncertainty among many efficient employees as to their tenure of office. Many employees going to the United States on leave of absence fear that when they have about finished their leave and are preparing to return to the islands, having made no effort to secure other employment, they may receive a cablegram notifying them that their services are no longer required owing to reduction of force, even though they have rendered efficient and satisfactory service. This fear is largely unfounded, as few efficient employees have been dropped while on leave in the United States.

The above is not intended as an argument against reduction of force. This office is in favor of rigid economy, the employment of only the officers and employees absolutely necessary for the proper conduct of the public business, and the removal of all incompetents. It is believed, however, that the reductions necessary in any bureau should be made gradually, by the removal of incompetent employees for inefficiency, by making no new appointments, but leaving positions vacant, and by transferring competent employees to other bureaus in which their services are required. This would entail very little additional expense, as, owing to the great number of resignations in this service, there is no difficulty in reducing materially the force of any bureau in a short

^a Appendix is on file in the War Department.

period by voluntary resignations and by transferring competent employees to other bureaus in which they are needed. An efficient and stable service can not be built up unless employees know that if they render efficient service their positions or some other positions equally desirable are assured to them. The effect of the feeling of uncertainty of tenure upon securing and retaining competent employees apparently is not fully estimated. It is constantly growing more difficult to secure well-trained professional, technical, and clerical employees from the United States, due probably in part to unfavorable reports of the conditions of service made by employees returning to the United States. Uncertainty as to tenure of office also has much to do with the increasing proportion of employees who, after a few years of service, resign and return to the United States.

In this connection the following extracts from the report of Dorman B. Eaton, who, from 1877 to 1879, at the direction of the President, made a thorough investigation into the civil service of Great Britain, are applicable. Referring to the parliamentary inquiry into the civil service in 1873, he says:

"The committee consisted of 17 members of the House of Commons; and its membership shows that the importance of the subject had not fallen in the estimation of that body. * * * The report, in three volumes, was, if possible, even more thorough and searching than those already referred to. * * * The special—I may say the only—object of the investigation was to 'inquire whether any and what reductions can be effected in the expenditures for the civil service.' * * * While a purpose of promoting direct economy is everywhere apparent, it is not less apparent that it was regarded as one of the surest means of inducing young men of worth to enter and remain in the service, at a low salary, that they should feel that their compensation and tenure were not utterly precarious, and that their official relations would not be needlessly degrading or disagreeable. The authors of the report evidently believe that if the surroundings of a man in the minor civil service are not inconsistent with a manly self-respect, and if he is not liable every hour to be dismissed upon the spite of an official or the greedy claim of a party manager, he is not only more likely to be honest and efficient, but certain to be willing to accept a lower salary. * * * And here I will repeat a fact, emphasized in the inquiry of 1873—that where excessive numbers have been employed, it is treated as the fault of the government or of its higher officers, for which the nation is responsible; and the supernumeraries are not arbitrarily dismissed, but are given the first vacancies for which they are qualified. * * * Even when an office is abolished, some provision, as a general rule, is made for him who filled it. And I hardly need add that, as a natural consequence, British officials, in the lower grade—such as doorkeepers and boatmen—not less than the highest, cherish, as I am compelled to believe, much kinder and more respectful feelings than are found among our officials toward their superiors and toward the public service generally. Nor can I doubt that such provisions, by awakening gratitude and a sense of duty, advance economy and fidelity alike."—(Ex. Docs., 2d sess. 46th Cong., Vol. 12.)

SUSPENSIONS AND FINES.

Under the law and civil-service rules the procedure in cases of suspensions and fines is similar to that prescribed by the civil-service rules for proposed removals and reductions in the classified service; that is, the employee is furnished with a statement of the reasons upon which the proposed action is based, opportunity is given for submission of a written answer, and the papers are then forwarded to the director of civil service, who transmits them, with his recommendation, to the governor-general or proper secretary of department for final action. In the mechanical branches of the government service, especially, this procedure appears to be too cumbersome for small fines. It is not infrequent for chiefs of bureaus to recommend fines as low as 30 centavos to cover cost of material spoiled or wasted by the carelessness of employees. In such cases the papers are now acted upon by the chief of the bureau, the director of civil service, and the secretary of the department, and the cost of the paper work connected with the imposing of the fine is often in excess of the amount of the fine. The law, it is believed, could well be changed to allow chiefs of bureaus to impose suspension without pay for a period not to exceed two weeks, or a fine not to exceed one week's pay, without forwarding the papers to the director of civil service and the governor-general or proper secretary of department for review, and it is recommended that legislation to this end be enacted. Opportunity should be given the employee, as at present, to present a written

answer to the charges in order that the record may be reviewed if the employee desires to appeal, claiming that he has been unjustly treated. It is further recommended that legal provision be made for deduction of more than one month's pay and for suspension without pay for a longer period than two months, the limits now fixed by law. Experience has shown that the present maximum limits for fines and suspensions are too low. Provision might also be made for the governor-general or proper secretary of department to order forfeiture of leave of absence as a penalty where removal appears to be too severe a punishment.

EXCLUSION OF THE MORALLY UNFIT.

So far as is known, discretion is given to everybody charged with the enforcement of the civil-service law to determine who shall be debarred from examination on account of bad character, previous crimes, etc. In other countries, where there are many well-qualified eligibles, there is no difficulty in the exercise of the power conferred by law or rule, and the decision of the commission or other body debarring an applicant from examination on account of dishonesty or crime is never questioned. The Philippine civil-service rules also confer upon the bureau of civil service the right to disapprove applications of persons who have been guilty of dishonesty or other serious delinquencies or crimes. On account of the lack of eligibles it is frequently necessary to authorize the temporary employment of such persons. They soon begin to agitate for regular appointment, and appeal to the governor-general for reversal of the action of this office disapproving their applications for examination. In some cases their appeals are favorably indorsed by the chiefs of the bureaus in which they are temporarily employed, as many bureau chiefs are concerned principally in securing experienced employees rather than in maintaining the character of the personnel. It is stated with pleasure that so far no governor-general has ever reversed the action taken by this office in accordance with the discretion conferred by the civil-service rules. Although it may appear harsh in some cases to disapprove the applications of otherwise efficient men because they have been guilty of dishonesty or similar offenses, the dignity of the service can not be maintained in any other way, and it is hoped there will be no change in the practice now followed.

ACCRUED LEAVE.

The maximum annual liability for accrued leave is nearly a million pesos. This is too great a drain on the treasury for the benefit received. The present allowance of three or four weeks' vacation leave is sufficient for purposes of recreation in the islands, and compares favorably with the annual leave allowed in the United States and other countries where no leave accumulates from year to year. When accrued leave is used for the purpose for which it was primarily intended—to visit the United States—great benefit is derived both by the government and the employees. Americans renew their strength and vigor and Filipinos gain a knowledge of American institutions and an acquaintance with the customs of the American people. The records show, however, that most of the accrued leave granted is spent in the islands. It is believed that Act No. 1040 should be modified so as not to permit the granting of accrued leave for use in the islands. It has been objected that this plan would result in the practical abolition of the present allowance of accrued leave to employees with low salaries, especially Filipinos. This objection can be overcome by arranging for free transportation on army transports with a charge for subsistence only. The undersigned is not in favor of the plan which has been proposed of allowing no accrued leave to employees receiving less than ₱2,400 per annum or some other minimum salary. It is believed to be more equitable and less subject to criticism to fix limiting conditions for the granting of accrued leave which shall apply to all employees now entitled to leave, whether their salaries are high or low.

OFFICE HOURS.

In its last three annual reports this office recommended that office hours be made uniform in all bureaus and offices, stating in its last annual report, "If there were required uniformly throughout the service at least seven hours of labor each day, there could be a considerable reduction in the number of employees on this account alone." On October 26, 1905, and March 24, 1906, the

governor-general promulgated executive orders (No. 29, series of 1905, and No. 16, series of 1906) modifying civil-service Rule XV by requiring, except during the hot season, seven hours of labor each working day except Saturday and five hours on Saturdays, the office hours to be uniform in so far as the varying nature of the work of the different bureaus permits, and, unless otherwise specially permitted in writing by the head of an executive department or the governor-general, all government offices to be open to the public for the transaction of business between 8 a. m. and 4 p. m. with a reasonable intermission for lunch, on all working days except Saturday, the hours on Saturdays being from 8 a. m. to 1 p. m. During the hot season, from April 1 to June 15, heads of bureaus and offices in the Philippine civil service, including the insular government, the city of Manila, and the provincial governments, are authorized to reduce the number of hours of daily labor required of officers and employees to five and one-half hours, the office hours to be from 7.30 a. m. to 1 p. m. on all work days, including Saturdays. The many disadvantages and inconveniences due to irregular office hours of varying length have disappeared as a result of these orders.

CHANGES IN THE EXTENT OF THE CLASSIFIED SERVICE.

By the reorganization act the telegraph division of the constabulary was transferred to the bureau of posts. Previous to the transfer telegraph inspectors were commissioned officers in the constabulary and, therefore, were in the unclassified service. By the transfer they were placed in the classified service. There was no change in the status of the other employees of the telegraph division.

The insular appropriation act (No. 1416) provided that thereafter postmasters at army posts whose compensation does not exceed ₱1,200 per annum each may be appointed by the director of posts without examination. This office was not in favor of this provision, believing it to be unnecessary. However, as it applies to comparatively few positions, and as the Commission reduced the maximum salary from ₱1,800 per annum, as proposed by the director of posts, to ₱1,200 per annum, as suggested by this office, the classified service is affected very little.

On February 14, 1906, the Commission adopted the following resolution allowing a messenger in the executive bureau who had never qualified in a clerical examination, and who was above the age limit for admission to such an examination, to be appointed a "special employee" in the executive bureau without examination:

"Whereas it is deemed essential that certain special qualifications be possessed by the employee who is charged with the immediate custody of the great seal of the insular government, on motion, be it

Resolved, That in lieu of the position designated in Act No. 1416 as 'engrosser' in the legislative division of the executive bureau there be, and is hereby, authorized one 'special employee' at the same salary, who shall be subject to the civil-service act and rules in all regards except as to appointment and promotion, which shall be in the discretion of the executive secretary, subject to approval by the governor-general; and further

Resolved, That a copy of this resolution shall be furnished the bureau of civil service for its information and guidance."

This office recommended that when created the position authorized by this resolution be placed in the unclassified service if it were deemed necessary to appoint to it a person not eligible under the civil-service rules. The position, however, was not placed in the unclassified service by Act No. 1478, which created it, and the appointment was made in accordance with the resolution.

The deficiency appropriation act (No. 1478) contains the following provision:

"Any civilian employed by the chief signal officer, Philippines Division, on December thirty-first, nineteen hundred and five, whose compensation in whole or in part was payable from insular funds may be transferred to the bureau of posts under the same conditions as those prescribed by section twelve (c) of act numbered Fourteen hundred and seven, except that any civilian so transferred to the bureau of posts from the bureau of constabulary or the office of the chief signal officer, Philippines Division, who was at any previous time a member of the classified service and was not separated therefrom for cause, shall be reinstated therein as of date January first, nineteen hundred and six, or such subsequent date as the transfer shall have been effective, at a salary not exceeding that drawn at time of transfer, without regard to eligibility for

reinstatement in the classified service in so far as concerns the period which may have elapsed since resignation of such employee from the classified service."

This proviso referred to two persons who had at some time prior to January 1, 1906, been regular employees in the classified civil service, but had been separated therefrom, and on January 1, 1906, were temporary employees with a greater compensation than that allowable to regular employees with their examination status. The secretary of commerce and police approved the recommendation of this office that the provision should be interpreted as extending their periods of eligibility only, and not as affecting examination requirements prior to reinstatement. The effect of the provision, therefore, is to render those two persons eligible for reinstatement whenever they are able to pass the required noncompetitive first-grade examination, without regard to the time limits fixed by the civil-service rule governing reinstatements. Had an opportunity been given for recommendation, this office would have recommended that no legislation be enacted giving them special privileges with respect to reinstatement.

The following provision was contained in Act No. 1416 and other appropriation acts for the fiscal year 1906:

"No position or employment authorized by this act the compensation of which is not stated at a per annum rate shall be subject to the provisions of the civil-service act and rules as amended, and no privileges of the classified service shall accrue to appointees to such positions: *Provided*, That all appointments and separations above the grade of semiskilled laborer under the provisions of this section shall be reported to the bureau of civil service by the proper chief of bureau or office, in case of discharge stating reasons therefor."

Those familiar with the history of the merit system and of the ingenuity of its opponents in taking advantage of every loophole to escape from the provisions of civil-service acts and rules will at once see the possibilities in a provision that the civil-service act and rules shall not apply to any position whose compensation is not stated at a per annum rate. With this provision incorporated into law, the only procedure necessary to remove a position from the classified service is to appropriate for it at a monthly or a daily rate of compensation instead of at an annual rate. In fact, Act No. 1416 itself contains several positions, among them an employee of the medical school, a telephone clerk, and a sales clerk, appropriated for at a monthly rate of compensation, and a storekeeper, an electrician, and other positions appropriated for at a daily rate, which by the above-quoted provision are removed from the classified service, while a large number of positions of the same grades, involving similar duties, are in the classified service. The provision excepts the positions to which it applies from all the provisions of the civil-service act and rules; many of these provisions, such as that disloyalty to the United States shall be a complete disqualification for holding office, that laborers shall not perform classified duties, and that no employee shall make a political contribution, were intended to apply to the entire service, unclassified as well as classified. It is probable that, as the attention of the Commission was engaged principally with appropriations, the far-reaching effect of this provision modifying the civil-service act was overlooked, as this office did not have an opportunity to explain it. This office recommends that this provision be omitted from the next appropriation bill. The undersigned is of the opinion that if it is retained in the law in the course of a few years a large proportion of the positions now included in the classified civil service will be placed on a monthly or daily wage basis, and thus removed from the classified service. It is also recommended that future modifications of the provisions of the civil-service act be not inserted in appropriation acts as riders, but that where necessary the civil-service act be specifically amended after recommendation by this office as to the advisability of the amendments proposed.

Very respectfully,

JOSÉ E. ALEMANY,
Acting Director of Civil Service.

THE GOVERNOR-GENERAL OF THE PHILIPPINE ISLANDS
AND THE PHILIPPINE COMMISSION, *Manila, P. I.*

NOTE.—An appendix containing laws relating to the Philippine civil service, civil-service rules, forms prescribed by the bureau of civil service, opinions of the attorney-general, and tables showing examinations and appointments during the year accompany this report and is on file in the War Department.

EXHIBIT No. 2.

REPORT OF THE EXECUTIVE SECRETARY.

MANILA, *September 1, 1906.*

SIR: I have the honor to submit the following report of the work of the executive bureau covering, in compliance with Executive Orders, No. 33, series of 1906, the fiscal year from July 1, 1905, to June 30, 1906, inclusive. As my last report covered the period between October 1, 1904, and September 30, 1905, statistical and other matter relating to the first quarter of this fiscal year will be repeated herein.

BUREAU PERSONNEL.

The organization as well as the personnel of the bureau has materially changed during the year. The reorganization act (No. 1407) abolished the bureau of archives as a bureau, which it had been since October 21, 1901, and transferred it again to this bureau as a division under the name of the division of archives, patents, copyrights, and trade-marks, it having been from July 16 to October 21, 1901, a dependency of this office. The corporation act also assigned to this division the registration duties incident to the formation and functioning of corporations. This has been accomplished so far without increasing the force.

The reorganization act added to the work of the bureau the administrative control of provincial treasurers formerly vested in the insular treasurer. This work which, with the accounting supervision, previously required the services of an entire division has been handled under the direction of the assistant executive secretary in the administration and finance division by a Filipino clerk, assisted by two of lower grade, whose combined salaries amount to only ₱2,340 per annum.

The duties of the document division were largely decreased by the transfer of the work of distribution of public documents for sale to the bureau of printing under Act No. 1407. This made it practicable to abolish the division of documents as a division, the care of the bureau property, distribution of printed copies of laws, of such documents as come from Washington and are still mailed by this bureau, and the clerical work incident to inspection of reports to fix the accountability for lost and damaged property, being now handled by a section of the administration and finance division in charge of the property clerk.

The reorganization act also put upon the bureau the work of editing the Philippine Supreme Court Reports. This work has been done in the legislative division which also, under the same act, took over the duty of editing the Official Gazette. All this work has been done without increase of force.

During the year there have been the following changes in the office force:

Nature of changes.	Americans.	Filipinos.
Permanent appointments.....	5	12
Temporary appointments.....	6	3
Transfers to bureau.....	11	23
Transfers from bureau.....	9	6
Removals.....	1	4
Reinstatements.....	2	4
Resignations.....	9	9

NOTE.—The 4 Filipinos who were removed from the service were all messengers.

The personnel now consists of 3 officials (the reorganization act having created the office of second assistant executive secretary), supervisor of land assessment, chief clerk, recorder of the Commission, law clerk, 5 chiefs of division, 7 private secretaries, 89 clerks, 31 messengers, special employee, janitor, watchman, and 14 laborers, a total of 156, being an increase of 29 over last year. There are 34 American and 55 Filipino clerks employed, which is 5 Americans and 22 Filipinos more than shown in my last report; 13 of these latter are in the new division of archives and the others have been taken on to fill positions hitherto authorized but vacant. Two of the Americans are temporary employees, one of whom is engaged in the work of tax revision and one on special work in the auditor's office.

The end of the fiscal year coincides with the resignation of Mr. George M. Swindell, second assistant executive secretary and an original member of the bureau force, to accept a transfer to the Federal service, after nearly six years' faithful service.

INSTABILITY OF THE SERVICE.

It may be seen from this that the unstable condition of the personnel alluded to in my last two reports continues without abatement. Indeed, there are now in the service of the bureau altogether only seven employees who were connected with it at its organization in 1901. When the value of experience in such work is considered, the economic loss occasioned by such shifting of personnel will be partially realized.

The strong esprit de corps, the industry and willingness of the force is conclusively shown by the overtime record of the Bundy time clock which was installed about a year ago to supersede the keeping of individual time records. During the year the employees have worked the enormous amount of 5,090 days of seven hours each of overtime, and of all this amount only an inconsiderable fraction was in any sense compulsory, that being due to the necessity of having a stenographer and messenger on duty holidays in cases of emergencies. No complaint has been heard and no reluctance shown in the rendition of these gratuitous services, which amount to far more than the total vacation leave to which all of the employees of the bureau were entitled.

It was not from choice that the excessive amount of overtime work was forced upon the employees of this bureau, for it is believed that seven hours a day exacting mental work is as much as any but the strongest man can do in this climate, without an ultimate loss of efficiency and health, which more than neutralizes the gains made by overtime. Moreover, it is not fair to the employee to publicly announce in executive orders and in advertisements for examinations that seven hours shall be a day's work and then place him in a position where he is practically required to work eight hours or more. Salaries are based on a seven-hour day, and to require more is in effect to reduce the salary. Nevertheless, the work had to be done and it has been done at the expense of the employees, owing to the fact that it has been impossible to keep the positions filled with capable men.

In former reports it was stated that the quality of the men coming from the States was deteriorating. This is so no longer, I believe, but it can not be said that there was any improvement in quality over last year. The question of obtaining any kind of men who will do at all is, I think, increasing. It is certainly so in the bureau and apparently in most other bureaus also. An inspection of the cablegrams offering positions to individuals considered desirable and of the answers declining them is convincing on this point. It is also difficult to obtain an adequate supply of competent Filipino clerks, or even typewriter-copyists, although the American occupation would now seem to have been sufficiently long for the education and equipment of large numbers of young men for these positions, to which it is commonly supposed the average Filipino aspires.

For this scarcity, reasons, of course, exist. Some of them were discussed in my last report and are still believed to be valid, although the situation possibly has been rendered more acute by the opportunities offered to capable men by the expansion consequent upon the present period of prosperity in the States, but especially by the demand for office men in Panama and the fact that to get them the United States Government has come into almost direct competition with us and has been offering greater inducements in the way of salaries and allowances than we have. This is not the chief reason, however. This service holds out inducements in the way of travel, leave privileges, and opportunity of advancement to positions of responsibility and high salary that should be

very attractive to bright, capable young men, especially in the Eastern States, where competition is sharp, salaries low, and promotion slow.

One of the causes which has operated to produce the result is the treatment accorded departing employees. In my opinion there is too much red tape and too little liberality shown the departing employee. He is, for instance, in many cases obliged to obtain clearance from three bureaus showing that he does not owe for hospital treatment, for ice, or for articles sold at Bilibid, and these clearances must be obtained within twenty-four hours of the time of his final settlement, although it is the theory at least that these bureaus do not give credit. It is not intended to criticise in the least the bureaus concerned, nor the accounting or disbursing officers of the government, for whose protection some such system is, of course, necessary; but the fact remains that this procedure does not in the least appeal to an employee from the provinces who has very likely been a stranger to ice for months and who is nearly always pressed for time and has many errands to do before embarking.

Again it is customary, and, from one point of view, proper to settle doubts as to the length of leave in favor of the government and against the individual. He may have worked faithfully for several years and in that term cheerfully have rendered some months of overtime service for which he has received no direct benefit; but if there is any question about a half a day's leave he loses it. The government may be giving him one hundred and fifty days' pay in advance, but if he honestly thinks he is entitled to one hundred and fifty-one the one day lost produces an unpleasant feeling which more than counterbalances all benefits received, and he goes back to the States disgruntled and becomes what our medical men term a "focus of infection." This may not be logical, but it is human nature and a fact. It is submitted that a liberal policy with departing servants would more than counterbalance the mere monetary loss from an occasional unreasonable or unjust claim.

Another thing that deters many from entering or staying in the service is the fear that legislative or administrative changes will abolish their positions. There have been numerous instances of this sort, due to the unavoidable rearrangement incident to a formative period; but it should be the policy of the government, so far as possible, to guarantee to every capable, faithful servant permanent employment—for life if he chooses. It is this guaranty which attracts able men to underpaid positions in the Army and retains them. On the other hand there should be no paltering with the incapable or unfaithful. They should be weeded out and made to understand why. This would only serve to encourage the really competent and make the mere fact of long service a testimony of competence itself. There has been also a number of cases where men have been allowed to go home on leave and after arrival have been cabled that their services would be needed no longer. The injustice of this is apparent and it has a bad effect upon both the men and the service, for the employees here learn of it, talk of it, and wonder when their turn will come. Moreover it is bound, sooner or later, to create embarrassing criticism.

This plea for permanency of position and stability of service is not based upon an assumption that American occupation or that government wholly or largely by Americans will be perpetual. Those Americans who have given the strongest proofs of true friendship for the Filipino people have realized, and some of them have publicly stated, that the shortest term in which we could hope to bring the masses up to that plane of education and self-reliance necessary for the successful continuance of an independent, free government will be at least a generation, and this term is, in effect, a lifetime for the present employees. On the other hand, should an unexpected precocity of the people or other circumstance bring about an earlier evacuation, it would not be difficult to provide places in the home establishment for all then upon the American roster, as was done practically when Cuba was evacuated. This, however, is a problem which can well be left to be solved when occasion arises, and should not stand in the way of our obtaining the highest possible present efficiency. Our relations to the Islands are such that the education and specialization of a distinct body of high-class men purposely for this service, as is done in England for the Indian service, will be probably always a practical impossibility, but there is no good reason why we should not arrange matters so that the employee should not feel obliged to leave the service at just the time when his education therein, obtained at government expense, has become adequate.

But above all, as I reported last year, what is most needed to insure a high-grade service, in the absence of a retirement pension system, is some provision whereby the employees here may transfer, as of right, to positions in the

United States. The attractiveness of such a provision is eloquently shown by the very recent voluntary transfer of a very capable and well-paid official of this bureau to a \$1,400 position in the United States service—a salary considerably less than half of what he received here.

The rule, adopted by the United States Civil Service Commission, March 20, 1903, is as follows:

"An officer or employee occupying a competitive position in the Philippine classified service who has served three years or more therein, may be transferred to the Federal classified service, subject to the provisions of these rules."

This rule remains unchanged and, in its present form, must be always a practical nullity. Not many men have ever been transferred by virtue of it in the more than three years of its life, and most of those who have obtained transfers have done so by going to Washington on leave and seeking out positions for themselves. It amounts, when analyzed, to nothing more than a permission to appointing officers in the States to select men from the Philippine service instead of eligibles certified as the result of examinations there, and it leaves to the man in the islands the work of getting his own name before the officer. Inasmuch as most vacancies are both created and filled in much less time than is required for the return of mail between here and the States, the man in the Philippines ordinarily could not know of a vacancy and apply for it in time to be considered. There are less than four positions paying \$1,800 or more in the whole Federal Philippine civil service, while in the executive bureau alone there are 23, all of which are open to any employee who demonstrates the necessary ability.

During the year an unostentatious inquiry has been made into the reasons why bright men prefer to remain in the Federal civil service in the islands rather than to transfer to our service, which ostensibly holds out so much greater advantages in the way of pay, leaves, and promotion. It has been learned that the Federal employees prefer to remain in that service, notwithstanding the lower salaries and poorer prospects, because they know that at the end of three years they may transfer to America and find a permanent position open, though at a reduction in salary of 20 per cent in all cases, and more than that in many.

It is therefore once more strongly urged that a serious effort be made to secure an amendment to the rule above quoted which will give our employees the certainty of a transfer at some salary, even if it be a very moderate one, and that a preferred eligible list be kept in Washington of such employees as desire to enter the Federal service. The haunting fear of having to return to the States in debilitated health and out of touch with existent conditions, only to face the necessity of seeking a new position, then would be removed, and, so contrary is human nature, many would be content to remain who now wish to return. That this is not a mere theory is proved by the number of army employees who contentedly remain year after year.

I would also recommend an amendment to section 7 of civil-service rule 9, so as to make it applicable only to increase of salary of employees whose positions and duties remain practically unchanged. This was the intent of the framers of the rule, and I believe it is detrimental to the service to apply it to cases where men are elevated to positions for which a definite salary has been fixed and in which the employee assumes new and increased duties and responsibilities. Service is as much a commodity as wheat, and the fixing of the salary of a certain position is nothing more than a declaration of the price the government considers a year's supply of that particular grade of service to be worth, irrespective of who may fill it. When an employee is promoted to such a position it is because he has, or ought to have, demonstrated his ability to furnish service of the quality and to the amount demanded, and he should therefore receive the value thereof. The fact that within the last year he has been a successful bidder for one or more contracts to furnish lower grades and less amounts of service has nothing to do with the case. By reversing the proposition and imagining how certainly and how sharply the government would resent an attempt on the part of such promoted employee to recoup himself by deteriorating the quality or decreasing the amount of service to the level of the salary offered, the truth of this statement becomes evident. It is taking advantage of the employee's helplessness or of his good nature to expect him to render services for which he is not paid full value. Moreover it reduces the efficiency of the service to an incalculable amount—incalculable because the loss can not be estimated in terms of dollars and cents. There is certain to be a loss of hopefulness, of ambition, and energy in the service at large if employees

are taught by example to believe that merit does not bring its complete reward. The difference between the amount and the quality of work done by a man whose whole soul is in his work and an equally capable man, who is only half-hearted, is really incalculable.

Another thing, and one that easily could be done, would be to make a more systematic and thorough effort in the cities of the United States to induce employees of certain specified classes, particularly stenographers and bookkeepers, to enter the examinations. If the newspapers of the cities and magazines, the stenographers' associations, and the numerous high-grade business colleges were kept supplied with acceptable and truthful reading matter concerning our needs, the conditions of living, statistics as to promotion, and other necessary information, it would go far to increase the supply in these two much-needed lines; and with sufficient increase in supply would come opportunity for selection and consequent betterment of quality.

DESK TELEPHONE SYSTEM.

The new Philippine Island Telephone and Telegraph Company having become an accomplished fact, the general government telephone system, referred to in my last report, is being rapidly introduced into all the bureaus and offices, and within a month the improvements and time and money saving devices mentioned will be happy facts.

CHANGE IN ADMINISTRATIVE CONTROL OF PROVINCIAL GOVERNMENTS.

Pursuant to the provisions of the reorganization act the administrative control and supervision of provincial treasurers, formerly exercised by the insular treasurer, were transferred to the executive secretary on November 1, 1905, as were all other duties in regard to provincial administration theretofore performed by the insular treasurer, including, under the provisions of Act No. 1298 as amended, the final review of action of provincial boards in the revision and correction of erroneous land assessments and valuations for the purposes of taxation and the approval of appointments of assistants, clerks, and other employees required for the service of the several provincial offices.

By the accounting act (No. 1402) provision was made for the auditing of provincial accounts locally by district auditors as representatives of the insular auditor, and the traveling inspectors of the insular treasury were transferred to the bureau of audits for assignment as district auditors. The services of these district auditors have been available for local investigations of administrative matters and this office has received much assistance thereby.

PROVINCIAL PUBLIC WORKS.

On January 1, 1906, provincial treasurers assumed the duties theretofore performed by provincial supervisors, except those requiring the technical knowledge and training of civil engineers (Act No. 1901), and for these latter duties district engineers were provided. The result of this change has been materially to increase the duties and responsibilities of provincial treasurers in those provinces which formerly were provided with supervisors. As to the wisdom of the change, from a standpoint of the theory of organization, there is no doubt. As to its success in practice there is difference of opinion; but a sufficient trial has not yet been given the scheme to warrant definite conclusions. As a result of the relief of the engineers from all duties not strictly professional there is now increased activity in the matter of provincial public works, particularly bridges and roads.

Recently there has been displayed much interest in the construction of provincial buildings of a permanent character, particularly of materials which may be expected to be reasonably earthquake and fire proof. The destruction of the provincial building at Tarlac by fire on March 26 entailed a very heavy loss upon the province, and the loss incident to the destruction of public records is, of course, incalculable. This building was considered one of the best owned by any of the provinces, being constructed of native woods of a superior class, but it was found impossible to prevent its total destruction, together with its contents, although the fire started during office hours, when the greatest possible efforts could be made to save it. As a result of this occurrence the provinces of Pampanga, Rizal, La Laguna, and Tayabas have decided to use cement and

steel construction for their projected government buildings, in order that their records and property may not be exposed to loss from fire. Plans which have been drawn by the consulting architect to the Commission indicate that an adequate and suitable two-story building, providing ample office and court-room space, may be constructed for about ₱75,000, the cost varying somewhat by reason of greater or less distance from Manila and resulting cost of transportation of materials.

SUSPENSION OF LAND TAX.

In consideration of the depressed condition of agriculture the Commission, by Act No. 1455, remitted the land tax in the provinces for the year 1906 and appropriated from the general fund of the insular treasury the sum of ₱2,690,890.69 to reimburse the provincial governments for the loss in revenue occasioned by this remission. The basis of reimbursement determined upon was the proceeds of the land tax collected during the fiscal year 1905. In many of the provinces, by reason of the extensions of time for the payment of the land taxes which had been granted during prior years, it resulted that the amounts to which they were entitled under the provisions of this act were greater than the normal proceeds of the land taxes for one year, while in other provinces the reverse was true. In the province of Cebu, by reason of the partial remission of the land tax for the year 1905, the treasury was entitled to practically no reimbursement under the terms of Act No. 1455. The Commission, therefore, by special legislation, provided that the provincial treasury of Cebu should be reimbursed in the additional sum of ₱32,321.45, which had been appropriated by Act No. 1455 in excess of the amount found necessary to carry out the provisions of that act. The operation of this act was confined to the regularly organized provinces, thus excluding the Moro Province and the provinces of Benguet, Lepanto-Bontoc, Mindoro, Nueva Viscaya, and Palawan, the conditions in these provinces not being deemed such as to render necessary relief of this character.

The suspension of the land tax for the current year has made possible the accomplishment of a great deal in the collection of the delinquent land tax pertaining to previous years, in some provinces running back to the establishment of provincial government. The sale of land as a means of enforcing the collection of delinquent taxes has been resorted to in but few of the provinces during the year, other means having been found more efficacious, particularly the seizure of personal property. The opposition to the payment of the land tax seems to have decreased greatly during the past year, and where it still obtains is to be attributed to agitation by local politicians rather than to more serious causes.

REASSESSMENT OF REAL ESTATE.

By the same act (No. 1455) remitting the land tax for the current year provision was made for a general reassessment of real estate throughout the regularly organized provinces. This work was recognized by the Commission as one of great magnitude and extraordinary importance, involving as it does the valuation of about 3,000,000 parcels of land and improvements thereon, the total value approximating half a billion pesos. In order that the experience of the past five years might be utilized to the greatest advantage and to insure an intelligent, systematic control of the work the position of supervisor of land assessments was created, and Capt. R. M. Shearer, treasurer of the province of Pampanga, one of the most efficient and experienced members of the provincial treasury service, was selected for appointment. The preliminary work of outlining the method, amending the old law to conform to more modern conditions, preparing blank forms and circulars of instructions to property owners, and municipal and provincial boards of tax assessors was taken up at once. Owing to the great amount of paper required for the declaration forms it was necessary to place a large order by cable in the United States, as the stock on hand in the bureau of printing and available for purchase in the Orient was wholly inadequate. All available stock was used and declarations shipped promptly to all provinces, but before the stock ordered from the United States could arrive requisitions were received from the provinces for additional forms, and it became necessary to extend until September 30 the period within which declarations might be filed. The work is being carried on by 598 municipal boards of tax assessors of three members each (one board for each municipality), 32 provincial boards of tax appeals of five members each (one for each province), and a central equalizing board of five members, of which the supervisor of land

assessment is ex officio chairman. It is progressing well, both provincial and municipal officials being thoroughly impressed with the necessity for prompt and continuous action until the work shall have been completed.

Under the old law the declarations of real property made by the various owners were municipal records and remained in the municipal archives. A copy of each one had therefore to be made for the provincial treasurer's records, and to enable him to collect the taxes due. This declaration was received by him, and was then in turn copied verbatim into the land-tax register, thus requiring three copies of each declaration filed, two of which were made at the expense of the municipal and provincial governments. The present law makes the original declaration of the property owner a provincial record. These declarations are now required to be made on loose sheets after the general style of sheets used for loose-leaf ledgers, and are perforated to enable them to be bound together in volumes of 500, thereby forming the land-tax register and eliminating all copies of the original declaration heretofore required. When it is remembered that there are approximately 3,000,000 declarations, the saving of labor and time may be imagined. It is estimated that the saving in money to the municipal and provincial governments by reason of this change alone will approximate a quarter of a million pesos. In addition to the saving in time, labor, and money the record now secured is composed of the original declarations as signed and sworn to by the owners and contains on their reverse the certificate of the various boards of tax assessment and revision, and is far more accurate and convenient than the old record.

The area given by the old declarations was, as a rule, expressed in the local unit of measurement, the result being that it was almost impossible to reduce the various areas given to any common unit of measurement for purposes of comparison. Under the new law all the areas are required to be expressed in the metric system of hectares, ares, and centares. The methods of arriving at the assessed value heretofore have been almost as varied as are the municipalities themselves. The result of this has been that adjoining municipalities have frequently assessed land of exactly the same character in all respects at a widely different rate, thus practically placing a bounty on the products of the land of the lesser assessed value, particularly where the same products are being raised and sold in the same market. The provincial boards of tax appeals as now constituted are authorized to equalize such conditions as between municipalities of the same province and the central equalizing board as between provinces. All assessed values have been required to be fixed in units of ₱10 or multiples thereof, thereby much simplifying the computation of the tax.

The old system of alphabetical arrangement of taxpayers by barrios has been eliminated and an alphabetical arrangement by municipalities substituted, thus bringing all of one man's property in each municipality together in the tax register, instead of having it scattered through the register under the various barrios, and effecting quite a saving in the time required to locate each taxpayer's property.

The supervisor of land assessments has devoted as much of his time as practicable to visiting the provinces and to giving his personal assistance to the provincial and municipal officials engaged in the work. It is believed that the difficulties encountered in the past by reason of lack of uniform, systematic work are being avoided and that a highly satisfactory assessment will be obtained. Property owners are required to declare the true value of their real estate and also its rental value in order that should it be decided to change the assessments from the basis of value of real estate to annual rental value the necessary data may be at hand. The assessment is being made by the local authorities who themselves are property owners. The provincial treasurers and their representatives are required to refrain from intervention in the assessment further than as to form and methods pursued, in order that uniform practice may obtain so far as the preparation of the records and the thoroughness of the assessment are concerned, experience having demonstrated that many parcels of land will not be declared or assessed unless some suitable person be charged with the duty of making sure that all real estate is brought to the attention of the board of assessors. Provision is made for appeals from the action of the municipal board of assessors to a provincial board of tax appeals composed of the regular provincial board and two special members selected because of particular fitness for the work. Provision is further made for appeal to a central board of equalization, the chief function of which will be to insure an equitable assessment throughout all the provinces, thus avoiding the condition created by the last assessment, in which it was found that in some provinces

values were stated unreasonably high, while in others the reverse was true. From information now at hand it would appear that there will be a large increase both in the number of parcels declared and in the assessed valuation, notwithstanding a probable decrease generally throughout the provinces in the rates of assessment.

SUGGESTIONS AS TO THE COLLECTION OF LAND TAX.

It is suggested that considering the vagueness of the public domain, the almost absolute absence of clear titles, the duplication of land declarations, and the ignorance of the great mass of the people, the sale at public auction of real property delinquent, or thought to be delinquent, in the payment of taxes should be discontinued, and that all real property upon which taxes are delinquent at the expiration of six months from date of delinquency be transferred to the insular government and become a part of the public domain.

Many declarations are filed by people occupying public lands, but owing to the vagueness and lack of data as to the exact location and limits of the public domain it is impossible for the boards of assessors to distinguish between public and private lands. Many declarations are also filed by the various tenants occupying portions of a large hacienda, or tract of land, and the same hacienda, or tract of land, is also declared in its entirety by the owner. Lands in litigation are almost invariably declared by each litigant, the impression seeming to prevail that this gives them a better standing in the courts of justice. All of this results either in property being declared that should not be declared at all, or the same property being declared two or three times.

The boards of assessors are not vested by law with the power to refuse to accept any declaration offered, even if they have every reason to believe that the land sought to be declared is public land or has been declared previously, either in whole or in part, by another.

Where they have knowledge of such cases, under the new land assessment notes are required to be made on the margin of the declarations stating the facts or belief of the board, but the declarations are accepted, filed, and duly assessed. However, 95 per cent of the cases mentioned above are unknown to the boards of assessors, and consequently each declaration of land is assessed and certified to the collecting officer as a separate and distinct parcel upon which taxes are legally due and payable. No difficulty results from these declarations of public lands, or duplicate declarations of private lands, so long as the taxes duly assessed against them are paid; but as soon as one of these parcels becomes delinquent in the payment of taxes it appears on the records, is classed, and is, so far as the provincial treasurer knows, legally delinquent. The result is that parcels which are absolutely exempt, either because they are government property or because the tax has been paid by another person under another declaration, are advertised for delinquency and either forfeited to the municipality or sold to the highest bidder. In either case, if unredeemed, a deed is eventually made either to the municipality or the purchaser, according to whether the parcel is forfeited or sold. For forfeited property this makes but little difference, for the error is discovered later, i. e., the property being still in the hands of the government (forfeited to the municipality) it is a comparatively easy matter to rectify it by canceling the forfeiture and deed issued. But where this property is sold, if unredeemed at the expiration of a year from date of sale, a deed is issued to the purchaser by the government. The original purchaser may transfer his interest acquired by purchase from the government and several changes take place before it is discovered that the entire sale is illegal, either because the land sold was a part of the public domain and no taxes were due, and consequently could not be delinquent, or because it had also been declared by another person under another declaration and the taxes paid by that person on that declaration. In either event an extremely embarrassing and complicated situation arises. The government is under the necessity of refunding to the original purchaser the price paid by him for the property, but without interest; and he, on the other hand, is left to settle with those to whom he has transferred the property, in case a transfer has been made.

The greatest argument for doing away with the sale of land for delinquent taxes, and if unredeemed forfeiting it to the insular government, is that if after forfeiture it is discovered for any reason that the same was illegal it is a comparatively simple thing to rectify the error, as the whole matter is in the hands of the government and the rights of a third party are not in issue. All complaints could be adjusted by administrative action upon production of proper proof.

All land forfeited to the insular government should be made a part of the public domain and be opened up to settlement like other public lands. It might be wise to give the original owner a preferred right to purchase for a period of six months at a reasonable price, to be fixed by the government, but after the expiration of that period the land should be opened to purchase by anyone.

One of the greatest causes of irritation and complaint by the people against the land tax would thus be eliminated, as well as the vast field for dishonesty, injustice, and crooked dealing and manipulation.

Such a change would result in an enormous saving, both in time and money, to the provincial governments, as all the paper work incident to advertising of delinquent property for sales, the holding of the sales, the issuing of various receipts, certificates of sale or forfeiture, and, eventually, either certificates of redemption for redeemed property or deeds for unredeemed property would be absolutely eliminated and the work of auditing the land tax reduced and an absolute audit of the land tax possible.

MUNICIPAL ACCOUNTS.

By Act No. 1482 the audit of municipal accounts theretofore performed by provincial treasurers was made the duty of the insular auditor, to be performed by his representatives, the district auditors. This change is one of the most important to be recorded for the year, and is resulting in much benefit to the municipalities. The lack of uniform practice in the audit of municipal accounts resulted in many ways to the prejudice of municipal administration, due to the lack of central supervision. Expenditures of questionable legality were permitted in some provinces, and in others expenditures for lawful purposes were obstructed, as a result of difference of opinion and construction of laws by the various provincial treasurers, who were compelled, already overburdened by multitudinous duties, to intrust the audit of municipal accounts to subordinates and were unable to give that personal supervision which the work demanded. By this same act the selection of clerks and other assistants for municipal treasurers was vested in these officers. In several instances it had happened under the old law that municipal presidents, under political pressure, had appointed to the subordinate positions in municipal treasurers' offices persons wholly unfit by reason of lack of ability or doubtful integrity, and municipal treasurers very properly felt unwilling to intrust to them funds and property for which they were responsible under their official bonds, thus making it necessary for these treasurers to close their offices when required by official duties to visit the barrios of the municipality or the provincial capital. It is now possible for them to provide themselves with trustworthy assistants, in whose hands they may feel warranted to place the current business of their offices during necessary absences, thus avoiding for the public vexatious delays and loss of time incident to the closing of the treasurer's office during his not infrequent necessary absence.

Provision is also made in this act for the consolidation of the offices of municipal secretary and treasurer whenever, in the opinion of the municipal council, the financial condition of the municipality demands such action and the volume of work does not render such consolidation impracticable. It is provided also that in case of fusion of the two offices the treasurer may be paid additional compensation not exceeding 50 per cent of that authorized for the municipal secretary, thus assisting materially in the creation of a position the aggregate compensation of which may be such as to attract a competent man. One of the most serious difficulties encountered in the collection of the public revenues has been the unwillingness of competent men to undertake the duties of municipal treasurer at the salaries offered. To overcome this difficulty every effort has been made to reduce the number of officials in a municipality by consolidation of duties, having in view the creation of a position the salary of which might be adequate to secure a suitable officer. The bureau of posts has cooperated in this matter by the appointment of municipal treasurers as postmasters, so far as practicable, thereby increasing the compensation of the treasurers somewhat and at the same time securing for the postal service a more efficient representative than would be possible otherwise. From information received from various sources there is reason to believe that material improvement is being made in the personnel of the municipal treasury service. The position is one of great local importance and is attracting many excellent young men, who, as they finish their educations in the public schools, seek a career in government service.

PROVINCIAL TREASURERS.

Since the executive bureau assumed the supervisory administrative control of provincial treasurers, the following changes have occurred among these officers: Resigned, 5; transferred to other branches of the service, 4; died, 1; dropped, 1; appointed, 12; two vacancies having existed at the beginning of the period and one now remaining unfilled.

By reason of the suppression of the position of provincial supervisor, the extension of the internal-revenue law, and other changes in legislation during the year, there has been a material increase in the duties and responsibilities of provincial treasurers. They have been from the beginning the most heavily burdened, as a class, of all public officers, and their salaries in the majority of cases have been inadequate. Much difficulty has been experienced in the past in securing competent men to be trained for these positions, and during the past year it has been impossible to secure from the United States at authorized salaries young men of proper education and ability to fill the subordinate positions of deputies of provincial treasurers. A degree of relief has been afforded by the development of a few Filipino employees who have shown indications of fitness for immediate appointment as chief deputies in the smaller provinces, and in the not distant future, perhaps, as provincial treasurers. During the past six months a number of American deputies who have vacated their positions by promotion, transfer, or otherwise have been replaced by Filipinos. It is hoped that during the coming year a sufficient number of Filipino deputies will have been developed to render unnecessary further efforts to secure Americans for these positions. From the beginning this course is one which has been recognized as both desirable and necessary to inaugurate as soon as practicable, and existing conditions have therefore merely expedited what had been looked forward to at not a distant date.

PROVINCIAL TREASURERS' FUNDS.

With the exception of the provinces of Bohol, Cebu, Iloilo, and Occidental Negros, which for convenience have been authorized to carry their deposits in the Cebu and Iloilo branches of the International Hongkong-Shanghai, and Chartered banks, all provincial treasurers have used the insular treasury as their depository, with the result that about ₱1,750,000 of provincial treasury funds are stored in the treasury bureau vaults and produce no revenue for the provinces. From an investigation of the matter it appears that at least one and one-half million pesos of these funds may be placed on time deposit in commercial banks which have qualified as government depositories without detriment to the financial requirements of the provinces and with material increase in revenue to the provinces by reason of interest earnings. Steps have been taken looking to this transfer of deposits, provided the banks are disposed to pay a reasonable rate of interest for these funds, the use of which at prevailing commercial rates undoubtedly would be very profitable to them.

READJUSTMENT OF PROVINCIAL SALARIES.

The Commission has had under consideration for some time past a readjustment of salaries in the provincial service, and it is the intention of this office upon the completion of the land assessment to prepare a proposed schedule of salaries premised on available data regarding the geographical area, population, number of parcels of land, real-estate valuation, internal-revenue operations, and other factors upon which may be based a fair classification of the several provinces for the purpose. Experience has demonstrated that the salaries fixed at the time of the establishment of civil government in the various provinces were not always in accord with the resources of the provinces, nor equitable in the light of the experience of the past five years. A good illustration of the necessity for readjustment of salaries is to be found by comparing those fixed for the treasurer of Samar and of Surigao, the former being ₱3,000 per annum, and the latter ₱4,600, the first being one of the largest and most important provinces, and the latter one of the least.

It was found that the practice that had obtained in regard to the creation of positions for assistants, clerks, and other employees in the provincial service had been for the provincial boards to request approval for new positions and increases in salaries at any time without regard to any regular method. As

As a result a large portion of the correspondence relating to provincial administration was occasioned by the presentation of these requests. In many cases the boards undoubtedly felt but little responsibility, inasmuch as approval by this office was required by law, and increases in salaries were frequently proposed in order to meet the insistent demands of employees, and in the expectation that approval would be denied by the executive secretary. Furthermore it was discovered that in some of the provinces salaries had been authorized at much higher rates for the same class of service than had been found necessary in other provinces. It was deemed wise therefore in order to reduce the volume of correspondence upon the subject and to secure a more uniform regulation of salaries throughout the provinces, to require that a proposed personnel list be submitted by each provincial board, which might be effective for at least one year. It seemed reasonable to expect that the requirements of the service might be anticipated with much precision in view of the experience of about five years past, and the success with which the same plan is in force in the bureaus of the insular government, the personnel requirements of which are covered by the provisions of the annual appropriation bill.

In response to a circular letter, provincial boards submitted lists for the fiscal year 1907, which, in the majority of cases, appeared reasonable and well considered. Few changes were deemed necessary in the lists as submitted, and with advice of approval there were communicated to the boards instructions brought up to date as to the requirements of the bureau of civil service in regard to forms to be used in the preparation of appointments, method of promotion, and as to other points which have presented difficulties to provincial officials in the past. It had been my intention to embody in this report a comparative statement of salaries paid in the several provinces, but this has proved impracticable by reason of delay which has occurred necessarily in final action upon the personnel lists submitted by a few of the provinces with which mail communication is rather infrequent. There has been displayed by provincial boards generally since the recent elections a keen desire to reduce their salary rolls, and as available material for subordinate positions increases it is reasonable to expect that a considerable reduction in rates of compensation may be effected.

APPOINTMENTS.

The reorganization act has necessitated the reappointment and issue of new commissions to all bureau officers in the insular government, but what caused the greater part of the increased work of the bureau along this line was the new law regarding justices of the peace.

On February 3, 1906, there was enacted by the Philippine Commission Act No. 1450, amending in certain respects the previous provisions of law with reference to justices of the peace courts, with a view to securing a better class of men for the offices, to preventing the frequent resignations and declinations of previous years, and generally to increase the efficiency of these courts. This act fixes the tenure of office at two years, provides that appointments shall be made from lists of suitable persons submitted by the judges of courts of first instance instead of by provincial boards as formerly, reduces the amount of the work of the office, increases the fees in criminal cases, changes the method of investigating the charges of misconduct against said justices by taking that duty away from provincial boards and conferring it, along with the power to suspend and generally to supervise, upon judges of courts of first instance. It provides for the calling of a meeting of the justices of the peace of each province once a year by a judge of the proper court of first instance "for the purpose of discussing questions relating to the administration of their office and instructing them in the performance of their duties," etc.

Immediately upon the enactment of this law recommendations were requested by this office from judges of courts of first instance throughout the islands. Nearly all the recommendations requested have been received, and new appointments of justices and auxiliary justices of the peace submitted to the Commission for confirmation under the provisions of the new law. Due to absences and other causes recommendations have not been received from a few provinces, but the same are expected in the very near future, and upon their receipt the work of providing new justices and auxiliary justices of the peace will be completed for every municipality in the archipelago. In the meantime, in the provinces not yet covered, the old incumbents are holding over until their successors are appointed. In all, 605 appointments of justices of the peace and 551 appointments of auxiliary justices of the peace were made during the fiscal year.

The increase of work which has resulted from the enactment of this new legislation will not be merely temporary, as under the new law appointments of justices and auxiliary justices of the peace will have to be made every two years, whereas previously the incumbents held office during good behavior. It is too early to judge of the efficacy of this piece of legislation, and it is entitled to a fair trial, but it is believed that time will demonstrate that it is only a slight improvement over the old law. Until the insular treasury is in a condition to secure the services of the best men in the municipalities for justices of the peace it will be found again that "you can not make bricks without straw."

The total number of appointments made by the governor-general, with the advice and consent of the Philippine Commission, during the fiscal year was 1,380.

PROPERTY INSPECTION.

While the handling of accountable and settlement warrants by this office was discontinued under the accounting act (No. 1402), the appointment of inspectors and committees for the purpose of investigating, reporting upon, and fixing the responsibility for the loss of or damage to insular government property, and of making recommendations concerning the disposition thereof, in accordance with the provisions of Act No. 215, and for other purposes, is still a part of the work of the bureau, as stated in the beginning of this report.

There were appointed during the fiscal year 24 inspection committees for various purposes, and 237 inspectors of damaged and lost public property.

Difficulties having arisen in connection with the appointment of property inspectors in the provinces, advantage was taken of the inauguration of the district auditing system to appoint the district auditors special inspectors. Executive Order No. 29, current series, which provides for these appointments, authorizes accountable officers and employees desiring the action of an inspector upon public property to submit direct to the proper district auditor all necessary data in regard to the property in question.

This procedure will tend to eliminate delays in the inspection of public property at points far removed from Manila and it is believed will result in increased efficiency. Special inspectors other than district auditors, however, will continue to be appointed when circumstances render such action advisable.

DISTRIBUTION OF THE PHILIPPINE CENSUS.

On August 1, 1905, 500 sets in English and 3,500 in Spanish of the first census of the Philippine Islands, taken in 1903, were received by this office, the publication, consisting of four volumes, having been printed in Washington by authority of Congress.

The arrival of the Census reports having been noted in the local press, the bureau was flooded immediately with applications for sets of both the Spanish and English editions. No government publication has awakened such widespread interest among all classes of people. Nineteen sets of the English edition were forwarded to the governors of near-by foreign colonies, and an official distribution of 80 sets of the English and 40 sets of the Spanish edition was made at once for the use of the insular bureaus, courts, and other offices in the city of Manila. A similar official distribution was made also for the use of provincial officials, consisting of 40 sets of the English and 130 sets of the Spanish edition. Five hundred and ninety-seven sets of the Spanish edition were also invoiced to the various provincial treasurers for distribution to each regularly organized municipality in the islands, one set being furnished to each municipality then existing, except in the Moro Province.

All of the sets included in this official distribution were distributed on invoices, and are required to be retained as nonexpendable public property.

In response to applications therefor, a total of 339 sets of the English and 450 sets of the Spanish edition was distributed without charge to individuals, commercial firms, clubs, societies, etc., in the city of Manila.

In making the distribution to the public, as regards applications received from the provinces, however, considerable difficulty was experienced in handling the matter intelligently, and it was determined in December, 1905, that the provincial boards of the various provinces were better qualified than this office to make a satisfactory distribution by placing the publication in the hands of intelligent Filipinos. A total of 1,688 sets of the Spanish edition was for-

warded, therefore, to the provincial board in each of the regularly organized provinces on a pro rata basis according to population, requesting that the sets be distributed by resolution of the board among the intelligent residents of the province. This arrangement lessened considerably the correspondence of this office upon the subject and resulted, it is believed, in a fairly satisfactory distribution of the publication among the educated Filipinos of the islands.

DISTRIBUTION OF OTHER DOCUMENTS.

Under the reorganization act the distribution of all public documents for sale was made one of the duties of the director of printing, but up to the present time this office has continued the distribution of all official publications of the Commission and of this bureau, for which no charge is made. In connection with this work was the distribution during the latter half of the year of a volume containing the Municipal Code and Provincial Government Act Annotated, with amendments indicated, and with an appendix containing legislation of practical interest to officials concerned in provincial and municipal administration. This volume was issued in both English and Spanish editions, and a wide distribution has been made of the same, particularly of the Spanish edition, copies having been forwarded to all provincial officials and to every municipal president, municipal secretary, municipal treasurer, justice of the peace, and auxiliary justice of the peace in the islands.

A total of approximately 91,000 packages of third-class mail matter was forwarded by the bureau during the year, consisting of census reports, reports of the Commission, reports of the executive secretary and other officials, laws, executive orders, proclamations, copies of the Official Gazette, and other documents.

CABLEGRAMS.

The reorganization act also provides that the cost of official cablegrams forwarded to the United States and elsewhere at the request or in the interest of the various insular bureaus is a proper charge against the appropriation of such bureaus. Theretofore cable tolls for all official messages were chargeable to the executive bureau appropriations. The practice of segregating the charges for cablegrams under the authority of this legislation was begun by this office on January 1, 1906. The method followed has been to advise the chief of the bureau concerned upon the transmission of a cablegram forwarded at his request of the amount which would be charged against the appropriation of his bureau in connection therewith. At the end of each month a tabulated statement of such charges was forwarded to the insular auditor with the bill of the cable company for payment of the latter and proper distribution of the charges against the various bureaus.

On May 13 last, a system of condensing the cipher code theretofore in use between this office and the bureau of insular affairs was adopted at the suggestion of the latter office. Since that date practically all official cablegrams to Washington have been coded in accordance with the new method. The saving which has been effected as a result for the period from May 14 to June 30 is estimated at ₱819.48, a reduction of over 30 per cent as compared with what the same service would have cost under the cipher codes previously in use. Upon this basis the annual saving at Manila alone by the new system will be between ₱6,000 and ₱7,000.

Due partly to the use of this new code condenser, but principally to the incentive given bureau chiefs to reduce the amount of cabling done by charging the cost thereof to their appropriations, there has been a very marked diminution in the cable bills during the past year.

The expenditures of this bureau for cablegrams for the fiscal year 1905 was ₱30,959.33, while the total cost of cablegrams forwarded by this office for the past fiscal year was ₱19,066.76, of which sum ₱9,966.40 was paid by the executive bureau and ₱9,100.36 by other bureaus and offices.

FIREARM PERMITS.

The arrangement made on May 22, 1905, referred to in my last report, by which the director of constabulary approves and transmits firearm permits to the applicants residing in the provinces in cases where no objection exists, in his opinion, to granting the permit, and of forwarding at the end of each month

to this bureau en bloc a list of the permits authorized by him for the approval of the executive secretary, has been continued.

Under this practice individual applications for firearm permits are forwarded to this office only where disapproval is recommended by the director of constabulary, in which cases, after investigation, a decision is made by this office as to whether permit should issue. For the city of Manila all firearm permits are forwarded by the chief of police to this office for approval.

During the year covered by this report a total of 4,867 firearm permits were issued, of which number 2,901 were renewals. Five hundred and twenty-five permits were canceled. Of the permits issued, 1,005 original permits and 2,710 renewals were for residents in the provinces, and 961 original permits and 191 renewals for residents in the city of Manila. One hundred and ninety provincial permits and 335 Manila permits were canceled.

TRANSPORTATION OF VAGRANTS AND DESTITUTE AMERICANS.

The practice of pardoning American citizens in the islands convicted of vagrancy upon the condition that they leave the islands and never return has been continued during the past year, as has also the policy of securing passage on United States army transports for indigent American citizens without funds or means of support and whose continuance in the islands was undesirable. Indeed, due to the retrenchment policy of both the insular government and the military authorities in the islands, as also of many private commercial firms and corporations, the number of applications for transportation to the United States presented to this office by destitute American citizens has been very considerably increased.

Effort has been made by the bureau upon the receipt of these applications to secure temporary employment for the applicants, in order that they might earn sufficient money to meet themselves the cost of subsistence to San Francisco upon an army transport, which varies from \$8.50 to \$9.50, according to the length of the vessel's stay in quarantine. Where it has proved impossible to secure temporary employment for such indigents or to raise the necessary funds in any other manner, after investigation as to the merits of the case, the cost of subsistence has been paid by the insular government.

The bureau has been somewhat embarrassed during the year by the unusually large number of applicants for transportation to the United States, who, for various reasons, had been discharged or had deserted from American sailing vessels arriving at the port of Manila, and who in many cases were not American citizens. There also applied to this office for transportation a number of indigent sailors who had been discharged from American vessels at Hong-kong, Singapore, and other ports and had been sent to Manila by the local American consular representatives.

Many of the sailors of both these classes had declared their intention to become citizens of the United States and taken out their first papers, but were still aliens. Nevertheless, in view of the fact that they had taken this action, the local consular representatives of their respective nations refused assistance. The matter was accordingly taken up by cable with the Bureau of Insular Affairs at Washington, inviting attention to the practice of American consuls at neighboring Asiatic ports of shipping vagrants to Manila, and making inquiry as to what should be done in case such vagrants have, or claim to have, only first papers, and as to what should be done in case of foreign seamen discharged from American vessels at Manila. Reply was received under date of February 19 to the effect that the Secretary of State had directed consuls to discontinue shipping vagrants to Manila, and advising that both classes mentioned in the telegraphic inquiry of this office would be treated exactly as other aliens on arrival in ports of the United States.

After considerable difficulty, through the cooperation of the insular collector of customs, berths as seamen were finally secured upon outgoing vessels for practically all of these men.

The total number of vagrants conditionally pardoned and deported and of indigent Americans furnished transportation to the United States during the fiscal year was 223, in 140 of which cases the cost of subsistence was paid by the insular government.

TRANSPORTATION OF GOVERNMENT OFFICIALS AND EMPLOYEES AND FILIPINO STUDENTS.

The contracts made with steamship lines operating between Manila and San Francisco and Seattle and their allied railway lines for the transportation of officials and employees of the Philippine government for the calendar year 1905 was renewed by the Bureau of Insular Affairs in December, 1905, for the calendar year 1906, upon practically the same terms as for the previous year, with the exception that the rates granted to Philippine government officials and employees were extended to Filipino students traveling to and from the United States at their personal expense, and that a slight reduction in railroad fare was granted to officials proceeding to the eastern part of the United States on arrival in San Francisco on army transports.

During the same month the Commission enacted Act No. 1425, amending the procedure theretofore followed in furnishing transportation to and from the United States to officials and employees of the Philippine government, so as to eliminate the payment to the government of the cost of transportation furnished and the subsequent repayment of such collections to the transportation companies. By this law it was provided that officers or employees desiring to proceed to and from the United States should be furnished an official request upon the transportation company, signed by the executive secretary or the chief of the Bureau of Insular Affairs, as the case might be, identifying the applicant as being in the service of the Philippine government, the cost of the desired transportation to be paid direct to the transportation company by the applicant.

This procedure entirely eliminated the handling by the government of any funds in connection with such transportation except in the case of resigning officials or employees entitled to return transportation to the United States wholly or partially at government expense. In these latter cases the request for the transportation furnished to the applicant is subsequently forwarded to the proper official for payment of that portion of the cost properly chargeable to the government.

Upon the receipt at Manila of the terms of the transportation contracts for the calendar year 1906, a printed "Transportation Circular" was issued by this office under date of March 1, 1906, embodying the terms of the transportation contracts and the procedure contemplated by Act No. 1425, and giving detailed particulars for the information and guidance of all officials and employees of the Philippine government as to the manner of making application for transportation to or from the United States on commercial liners and army transports. A sufficient supply of this circular letter was forwarded to all bureaus, offices, and provinces to provide a copy for every employee of the government who might be concerned.

The new procedure has worked satisfactorily and lessened the labor involved in connection with the transportation matters, although some difficulty has been experienced in securing a proper compliance with the instructions of this office as to the forwarding of requests for return transportation to the islands by officials and employees proceeding to the United States on leave of absence. As such requests, duly approved by this office, and forwarded to the Bureau of Insular Affairs, are the only authority in possession of the latter office for the furnishing of the transportation, failure to comply with the instructions is the cause of considerable embarrassment, delay, and expense at Washington. Action has been taken by this office, however, which it is hoped will secure a better observance of this requirement in future by insular officials and employees.

The total number of applicants furnished transportation at the government contract rate to the United States during the year ended June 30, 1906, was 427, divided as follows: 409 full fares, 12 half fares, 4 quarter fares, and 2 free. Of this number 132 were wholly or partially at the expense of the insular government.

Due to the decreased activity in the movement of troops back and forth between the United States and the islands during the past year, transportation has been available to the United States upon army transports for an increased number of insular officials, employees, and others. Transportation to San Francisco was furnished upon army transports during the fiscal year to a total of 474 persons at the request of this office. Of this number 223 were conditionally pardoned and indigent American citizens.

The total number of persons for whom transportation was secured by this office during the fiscal year, both upon commercial vessels and army transports, was therefore 901.

The practice heretofore adopted of advancing return transportation to the islands to officers or employees on leave in the United States upon the condition that the insular government be reimbursed by them in not more than twelve monthly installments from their salary after their return to the islands has been continued during the past year, and an increased number of employees proceeding to the United States on leave of absence have availed themselves of this privilege.

PARDONS.

A somewhat larger number of applications for executive clemency has been received during the past year than in any previous year, and the necessary investigation as to the previous character and antecedents prior to conviction of applicants for pardon and the securing of recommendations of the trial judge and of the officials of the province where the convict resided, has entailed considerable increase of work upon the bureau.

This increased work, however, was of but small moment as compared with that with which the bureau was charged by Executive Order No. 24, issued by the governor-general on May 1, 1906. This order reads as follows:

"THE GOVERNMENT OF THE PHILIPPINE ISLANDS,
"EXECUTIVE BUREAU,
"Baguio, Benguet, May 1, 1906.

"Executive Order No. 24.

"Hon. Victorino Mapa and Hon. Adam C. Carson, judges of the supreme court; Hon. Manuel Araullo and Hon. James Ross, judges of the court of first instance, and Col. H. H. Bandholtz, acting director of Philippines constabulary, are hereby appointed a committee for the purpose of examining the records in cases of prisoners under sentence in the Philippine Islands for bandolerismo, sedition, or insurrection, with a view to determining who, if any, of such prisoners may be set at liberty without endangering public peace and without affording encouragement to the enemies of good order. The committee is requested to examine the prison record of all prisoners convicted of the offenses above named, to ascertain the character of each prisoner before conviction, so that it may be known whether he was of good or evil repute prior to his conviction; to ascertain whether the lawless acts for which conviction was had were committed by reason of a wicked heart and enmity to peace and good order, or by reason of coercion and intimidation; whether such acts consisted in the perpetration of deeds of violence, murder, or robbery, or consisted only in furnishing food or money, under some degree of compulsion, to lawless bands, and whether the locality in which each prisoner resided is now in such a condition of peace and freedom from lawlessness that it would be safe to return persons from that locality to their homes. This last element is one of great importance and should be taken into consideration in any recommendations that may be made.

"The executive secretary will cause to be furnished to the committee the prison records, reports as to the previous character of the prisoners, and copies of the judgments or sentences of the court as to each prisoner.

"It is desired that the work of making this investigation be entered upon immediately, and that final report to the governor-general, with recommendations, be made not later than June 20, 1906.

"Hon. Victorino Mapa will act as chairman of the committee.

"The executive secretary will furnish such clerical assistance as may be needed for the work of the committee.

"HENRY C. IDE, Governor-General."

Immediately upon the issuance of the executive order, the director of prisons was requested to furnish the prison records of all persons who had been finally convicted by the courts of justice of the islands of the offenses mentioned therein. Upon investigation it was found that the total number of prisoners concerned was approximately 1,600. As fast as the prison records of the prisoners were received in this office letters were written for the purpose of securing the recommendations of the provincial governors, senior inspectors of constabulary, and others as to the advisability of granting a pardon to the prisoners in question, and for information in regard to the character, antecedents, and general reputation of the prisoner in the community in which he had resided prior to his conviction. A copy of the decision in each case from the clerk of the proper court of first instance and the recommendations of the trial judge were also obtained.

The investigation connected with each prisoner required the writing of an average of at least five letters or indorsements by this office, or a total of 8,000 signed communications for the 1,600 prisoners concerned. The preparation and handling of this correspondence and the classifying and digesting of the results obtained has thrown an enormous amount of additional work upon the bureau during the past few months.

The regular force of the bureau, already overburdened and performing much overtime work, as hereinbefore shown, was entirely inadequate to cope with this increased labor, and it was necessary to call upon other insular bureaus for assistance.

Owing to delays in the return of papers from the provinces, the investigation had been completed and papers prepared for the consideration of the pardon committee in very few cases prior to the early part of June, and it was not until the latter part of that month that the replies from the provinces began coming in rapidly. As this preliminary investigation was completed in each case the second assistant executive secretary, to whom this work was assigned and who acted as secretary to the committee, distributed the papers among the various members thereof for the preparation of a brief in each case which should form a basis of consideration by the committee.

The committee held its first session on May 7, 1906, and was convened from time to time thereafter, at the call of its president, down to June 20, on which date, having considered all cases completely investigated at the time, it submitted a partial report to the governor-general making recommendations upon a total of 188 cases.

At the first meeting the committee determined that unless there were exceptional reasons for other action it would be inadvisable to consider, or recommend action by the governor-general, upon the case of any prisoner convicted of bandolerismo, sedition, or insurrection in the provinces of Cavite, Bulacan, Pampanga, Rizal, Batangas, Tarlac, Nueva Ecija, La Laguna, Pangasinan, Cebu, Samar, Iloilo, and Misamis until the general conditions as regards public order in said provinces had improved. It was also determined at a subsequent meeting that where the committee recommended pardon it should be conditioned upon the recipient's good behavior for a period of five years subsequent to his release, and that during said period he report in person or by sworn statement (setting forth his place of residence and occupation) to the provincial governor and the senior inspector of constabulary of the province in which he was tried; also to the provincial governor and the senior inspector of constabulary of the province of which he might be at the time an actual resident. Such reports to be made upon the 1st of January, 1st of May, and the 1st of September of each year, or oftener, as might be required by the governor-general, and that were the conditions of his pardon violated the unexpired portion of his sentence of imprisonment should be enforced by order of the governor-general.

The committee called attention in this connection to the fact that no legal procedure existed by which a conditionally pardoned prisoner might be reincarcerated should he violate the conditions of his pardon, and suggested that the necessary legislation to cover this omission be enacted. This legislation is now being prepared.

The governor-general approved the recommendations of the pardon committee in every case both as regards pardons and commutations of sentence, and pardons, conditioned as recommended by the committee, were issued effective July 4, 1906, for 68 prisoners. The total number of cases considered by the committee on pardons up to June 30 was therefore 188 out of an approximate total number of 1,600.

The governor-general in acknowledging the committee's report of June 20 appreciated the amount of labor involved in the investigation, but requested that in view of its importance the committee continue its labors along the same lines as theretofore, making reports from time to time, with recommendations, until all the cases within the scope of the executive order had been dealt with by the committee. Therefore while only a small portion of the work with which this bureau has been charged under the above executive order has been completed, by far the greater part of the letters requesting recommendations of the different officials heretofore mentioned has been forwarded, and the work of the bureau in future in this regard will be largely one of classification and preparation of the cases for the consideration of the pardon committee, and of preparing the pardons or commutations of sentences in the case of prisoners favorably recommended.

The action taken upon applications for pardon presented to the governor-general during the past year and handled by this bureau may be conveniently summarized as follows:

Received (including approximately 1,600 under executive order No. 24) --	3,764
Granted -----	461
Commutations of sentence -----	35
Denied -----	924
Pending (including cases being investigated under executive order No. 24) -----	2,344.

MAGALLANES PARK.

Dating practically from the American occupation, the Magallanes Park, in the city of Manila, on the left bank of the Pasig River, south of the Bridge of Spain, has been used as a storage place for coal, lumber, and other government supplies. The monument erected by the Spanish Government in honor of the discoverer of the Philippines, Ferdinand Magellan, stands in the center of this plot of ground.

The continued use for storage purposes of a park of this kind, located as it is in the center of the city upon a valuable site on the banks of the Pasig River, was considered most undesirable, now that the conditions in the city of Manila are becoming more settled. This bureau was accordingly authorized by the vice-governor to make arrangements to have the park cleared of all supplies located thereon with a view to having it turned over to the municipal government of Manila with the understanding that it should be used partially for park purposes, but that the portion immediately bordering on the river should be utilized by the interisland shipping as a wharf and landing. The matter was accordingly taken up by this office in January last, and arrangements were made for the transfer of the lumber stored there to a site upon Calle Nozaleda. This removal has now been completed, and the park is ready to be turned over to the city government.

The action taken in this matter will not only furnish another pleasant breathing spot in the center of the city, but will provide additional accommodations for the interisland shipping interests as regards the landing of coast-wise cargo upon the banks of the Pasig River, which has been congested very often.

MINT BUILDING.

Upon the American occupation of Manila, in 1898, the commanding general of the United States military forces directed one of the army paymasters to act as insular treasurer, and take charge of the old Spanish casa moneda, or mint building. Upon the appointment of a civilian insular treasurer under the civil government, this building was placed in his charge; but as all coinage for the insular government since the new Philippine currency was established has been done in United States mints, this building has never been used as a mint, but has been utilized for storage and other purposes.

The necessity of additional office room for insular bureaus, however, made it desirable to place the building in condition for occupancy for office purposes, to which it could be easily adapted by a moderate amount of repairs. This bureau was accordingly authorized to take necessary action in the matter, have an inventory made of all property left in the building by the Spanish Government, and direct the clearing out of the building preparatory to making the authorized repairs. An inspector was accordingly appointed, and, after considerable work, all property in the building was taken up and transferred to the various insular bureaus which could utilize it best.

A very large amount of refuse had accumulated in the building, and in clearing it out prison labor was used with success. The cleaning and repairing of the building was completed in January, 1906, and it was at once occupied by the bureau of education, including the division of ethnology and the American Circulating Library. Two rooms were also assigned to the bureau of health and the bureau of printing for storage purposes.

EXTRADITION.

But one fugitive from justice has been extradited this year, a Japanese who was charged with stealing a vessel in Australia and who was delivered to the authorities of Queensland. Our own criminals have either remained at home or have disappeared entirely, for this government has not been obliged to request extradition in a single case.

LAW CLERK.

From July 1, 1905, to February 5, 1906, the law clerk, Mr. Harry E. Laughlin, was absent in the United States on accrued leave, the duties of the position being performed by Mr. Thomas Carey Welch, now acting chief clerk. Since the latter date Mr. Laughlin has been in charge, being assisted in the legal work by Mr. L. L. Bernheim, and in the administrative and appointment work by five Filipino clerks, under the immediate supervision of Mr. Manuel Xeres Burgos, jr.

This division of the bureau, with its small force, discharges some of the most important duties incumbent upon the office, all of which have been mentioned in previous reports, to which has been added since March 9, 1906, the supervision of appointments, formerly a part of the work of the legislative division. The subjects treated under the next four heads are some of the more important under the direct charge of the law clerk.

CASES AGAINST PROVINCIAL AND MUNICIPAL OFFICIALS.

During the fiscal year covered by this report there has been removed from office only one provincial officer, and he was removed July 10, 1905, during the quarter covered by both this and the last annual report, so that not a single removal has taken place during the past nine months. No provincial officer has resigned upon request or under charges. The removal above mentioned was that of a provincial supervisor-treasurer and the causes were incompetency, neglect of duties, shortage in accounts, etc.

Past reports have shown removals and resignations at request or under charges as follows: 1903, 15; 1904, 12 during thirteen months; and 1905, 6. This gradual decrease is very gratifying, and may be ascribed, I think, to three distinct causes: (a) More settled conditions in the archipelago; (b) the elimination from the service of the class of adventurers or soldiers of fortune of the early days of American occupation; and (c) the certainty, shown by experience, that wrongdoers will be apprehended and severely punished.

Appended hereto, and marked "Exhibit A,"^a is a tabulated statistical statement of the cases against municipal officers and justices and auxiliary justices of the peace (exclusive of cases dismissed after preliminary investigation), in which final action has been taken during the year covered by this report, showing what disposition has been made of them. In this table the portion of the statistics which pertain to the quarter covered by this report and that of last year is separately set forth.

From this table it will be seen that the total number of officers involved during the year was 212. The numbers shown by previous reports were as follows: 1903 report, 144; 1904, 186 for thirteen months; 1905, 203. It will thus be seen that the number of cases increases with each year, as the people learn the standard required of officials and that their complaints receive impartial attention.

Of the said 212 cases, the recommendations of provincial boards were approved in 80 cases, modified in 18, and reversed in 15. In 99 cases the boards either made no recommendations, or the cases were filed without action by the governor-general because of the expiration of the terms of office of the accused, etc. For the quarter included both in this and the last annual report the figures are 25, 2, 7, and 1, respectively, out of a total of 35 cases.

Of the 212 cases for the year, 138 of the records were in Spanish, 4 in English, 29 part Spanish and part English, complete records not having been forwarded in 41 cases, owing to the expiration of the terms of office of the accused persons.

There are now pending 37 cases, practically all of which are awaiting trial by the various provincial boards.

^a Exhibit A is on file in the War Department.

Exhibit B,^a hereto appended, shows the number and nature of the charges during the past year against the officials covered by Exhibit A,^a and the result thereof. In this table also, the portion of the statistics pertaining to the quarter covered both by this report and that of last year is separately set forth.

MUNICIPAL AND PROVINCIAL ELECTIONS.

The general municipal elections were held on the first Tuesday in December, 1905, at which a president, a vice-president, and one-half of the councilors were selected for each municipality.

For several weeks prior to the date thereof, mail and telegraphic inquiries were received in this office with regard to the proper method of conducting them. In all, about 150 requests for instructions were made, covering a wide range of subjects, which it is not deemed profitable to set forth in detail here. Some of these questions were most rudimentary in character, which anyone at all familiar with election procedure would not need to ask. For instance, information was requested as to whether a person suspended from office by the administrative authorities pending investigation of charges against him, but who had not yet been investigated and found guilty, could legally be reelected; whether a person who had previously been removed from an office, but not specifically disqualified from holding office, could legally be elected to another; whether a person under criminal charges in court, but not tried and convicted, might vote; whether the misspelling of a name invalidates a ballot; whether a person more than 23 years of age (the voting age) but not 26 (the age required for holding elective municipal offices) might be elected; whether delinquency in the payment of a fine imposed by a court constitutes delinquency in the payment of public taxes, and therefore disqualifies a man from voting; whether the appointment of a man not a duly qualified elector as lieutenant of a barrio, for which the qualification of being a duly qualified elector is required by statute, entitled him to vote notwithstanding that he does not possess the residence qualification required by law for the privilege of voting, which amounts to asking whether one illegality legalizes another; and whether the election of a person, who has served two terms in one elective office, to another and distinct office is a violation of the statutory provision prohibiting "a second reelection to any municipal office * * * except after two years." Both in provincial and municipal elections the question of what constitutes a legal residence seems to have caused vexation of mind, but this was to have been expected.

A large number of the elections held were protested. From the data at hand, it is estimated that in about one-half of the municipalities the elections were protested in whole or in part, about one-third of the protested elections, or one-sixth of the total number held, being either wholly or partially annulled and special elections ordered, because the declared results were not deemed by the reviewing body to be the actual will of the electors. In at least 16 municipalities two special elections were held before confirmation of all the officers in each; and in one (Tivi, Albay) the regular and five special elections have been held, the last of which has not been confirmed as yet. These facts would indicate the advisability of providing for the appointment of municipal officers upon failure of confirmation of the first special election (or, in other words, the second election) in any town. Repeated elections only cause strife and annoyance, and interfere with business, and it is probable that the knowledge that a third election would not be held would serve to some extent to prevent illegalities in the second.

As a rule full information is lacking here as to the grounds of protest and annulment of municipal elections, since the governor-general has nothing to do with the confirmation or annulment thereof, the decisions of provincial boards in the premises being final so far as the administrative authorities are concerned, the action of the former being appealable only to the courts.

As a matter of interest, and as giving an insight into the method of conducting municipal elections in the islands, and the way the Filipino exercises the right of suffrage and local autonomy, it may not be amiss to review the Tivi Imbroglio, as far as our incomplete files disclose.

In order that the causes of the various annulments of the elections which have taken place at Tivi may be clearly understood, it would also be well to set forth briefly the procedure in conducting municipal elections.

^a Exhibits A and B are on file in the War Department.

It is provided by section 9 of Act No. 82, known as the "Municipal Code," that a board (usually referred to by the title of "qualification board"), consisting of the municipal president, the municipal vice-president, and the municipal treasurer, previous to the date of a municipal election, regular or special, shall pass upon the qualifications of persons claiming to be electors, and certify an official list of qualified electors to the board of election judges hereinafter mentioned. Sections 10 and 11 of said act, as amended, provide that the election "shall be presided over by a board of election judges consisting of three qualified electors, who are not candidates at such elections, and who, together with two tellers possessing like qualifications, shall be designated in writing prior to day of election by a majority vote of a board consisting of those members of the municipal council who have the longest unexpired terms of office;" and that said board of election judges "shall identify the voters, and shall exclude the ballot of anyone whose name is found not to be included in the official list."

It may also be stated, by way of prelude, that in all the elections held in Tivi, including both regular and special, there have been two main parties, or rather factions, fighting for control, one being headed by Ramon Morales and the other by Pantaleon Azcune, the contest being waged on personal, with some admixture of religious, issues.

The above explanations having been made, it is believed that a consideration of the elections held in Tivi may now well be proceeded with. In this municipality, as in all others of the archipelago, the regular election for the purpose of choosing a president, a vice-president, and one-half the councillors for the municipality, was held on the first Tuesday (the 5th day) of December, 1905. This election was won by the Morales party, above mentioned, the vote for president being 95 for Morales to 64 for Azcune; but it was annulled by the provincial board of Albay, apparently because (1) the qualification board certified persons belonging to the prevailing party as legally qualified electors who were not such, and excluded legally qualified electors of the opposite party, and (2) the board of election judges counted for the prevailing candidate votes which were not cast for him. Consequently it became necessary to hold a special election, and one was ordered by the provincial board.

The *first* (for others followed as has been stated) *special election* was held on January 16, 1906, and resulted, as had the regular election, in the triumph of the candidates of the Morales party, the vote for the presidency being 128 for Morales and 119 for Azcune; but, also like the regular election, was annulled by the provincial board, apparently because the qualification board again certified persons belonging to the prevailing party as legally qualified electors who were not such, and excluded legally qualified electors of the opposite party.

The *second special election* was held on March 6, 1906, the same party being successful as in the two preceding elections, Morales receiving 113 votes for the presidency to 95 for Azcune. This election also was annulled, apparently for the same reason as was the first special election.

The *third special election* in Tivi was held on April 17, 1906. Prior thereto the president and vice-president of the municipality were suspended from office on account of their illegal acts in connection with the previous elections, their places being filled by temporary appointees. This action changed the complexion of the qualification board, and consequently no complaint appears to have been made against the official action thereof. Neither is there any record in this office of charges of illegal conduct against the board of election judges, but there was to be no such good luck as a confirmed election in Tivi. While the ballots were being counted, the building where the election was being conducted was burned, the fire apparently having been of incendiary origin. As a result, some of the election papers were destroyed and the provincial board annulled the election. One of the amusing incidents of the fire was the carrying off of the ballot box by an American lawyer, who was present in the building. He claims that when the fire broke out all the Filipinos hurriedly sought the outer air, and that he seized the box to prevent its destruction, and delivered it later to the municipal treasurer. One of the candidates contends that he was there as attorney for another candidate and that he decamped with the box because he foresaw his client's defeat. From the ballots which had been counted before the fire broke out it is estimated that the vote for president stood 107 for Azcune to 50 for Morales.

The *fourth special election* was held on May 22, 1906. Prior thereto the acting municipal president was suspended and the acting vice-president resigned, so that it fell to the lot of the provincial governor, with the approval of the

provincial board, to appoint their successors. With a view to securing an honest registration of voters, one of the candidates (Morales) was appointed acting president and the other (Azcune) acting vice-president, the choice for first place being determined by lot; and one of the deputy provincial treasurers was made acting municipal treasurer. Moreover, a temporary vacancy in the municipal council was so filled that half of the portion thereof which selects the board of election judges and the tellers was of one party and half of the other. It was considered, therefore, that a fair election was assured, but such was not the result. The acting vice-president and acting municipal treasurer, constituting a majority of the qualification board, excluded from the list of qualified electors, without proper investigation, or indeed any at all in most of the cases, 184 persons who had declared their right to vote and had taken the elector's oath, but had been challenged by the partisans of the acting vice-president at his request. However, the election was not held on the list so prepared, for, not to be outdone, the acting president, as chairman of the qualification board, substituted therefore, without consulting the other members, a list prepared by himself, and submitted the same to the board of election judges which, being dominated by him, held the election on the basis of said list. In this substituted list 84 persons were included who were not in the list prepared by the qualification board, and 12 were excluded whose names were therein. Owing to the double illegality just set forth, the provincial board was compelled to annul the election, at which Morales had received 125 and Azcune 119 votes, and to call another.

The *fifth special election* was held at a later date. Prior thereto Morales was relieved from the office of acting president and Azcune from that of acting vice-president, owing to the illegalities which they had committed in the previous election, and other men were substituted for them, but with no better result than in the previous elections. The acting president, as chairman of the qualification board, on the morning of the election appears deliberately and wilfully to have substituted for the list of qualified electors certified by the said board a list prepared and certified by himself alone, which was presented by him to the board of election judges as the proper list upon which to hold the election. This fraudulent list included almost 100 names not on the regular list, and the provincial board annulled the election, at which Morales had again been elected by a vote of 142 to 127 for Azcune.

Thus it will be seen that in all six elections have been held in Tivl since the 1st of last December, each having been annulled in turn, including the last. The contest between the two factions has been very bitter. Feeling runs high, and the prospect of an honest election is small. Hence another election has not been called, and the matter will be presented to the Philippine Commission for its consideration and action.

As a remedy for such an unfortunate state of affairs the provincial authorities have recommended a general amendment to the law, applicable to all municipalities, and to be made retroactive as to Tivl, providing for "the appointment of municipal officers if at the conclusion of a second election no choice has been legally agreed upon by the electors." This proposed amendment seems to me to offer a satisfactory solution of the present difficulty; and, moreover, its enactment seems to be advisable as a means of preventing similar disgraceful and long-drawn-out contests in the future, unless the Philippine Commission shall see fit to enact the new election law hereinafter referred to, which it is believed will obviate the present difficulties.

The regular election to select a president, a vice-president, and one-half the councilors of the municipality of Malabon, Rizal Province, was held in said town on the first Tuesday in December, 1905, as in the other municipalities of the archipelago. This election was duly confirmed by the provincial board, and the officers elected thereat qualified and took charge on the first Monday in January, as provided by law.

As then constituted, Navotas was a part of the municipality of Malabon, having been annexed thereto by Act No. 942 of the Philippine Commission, enacted October 12, 1903. By Act No. 1442, enacted January 16, 1906, Navotas was separated from the municipality of Malabon, so that, instead of one municipality, two were provided for, to be known as Malabon and Navotas.

This latter act provided for the choosing of the officers of each of the new municipalities by a special election to be held in accordance with the general rules of procedure in electing officers for newly incorporated municipalities, with a few modifications. The election was called by the provincial board for March 21, 1906, and the election appears to have been held on that date. It was

annulled by the provincial board on account of illegalities, the nature of which does not appear from the documents on file in this office.

A second election was ordered for and held on June 6, 1906. This election also was annulled by the provincial board chiefly for the following reasons: (1) Because the electoral committee gave only two days for the admission of protests against the inclusion or exclusion of electors instead of the five days provided by law, and (2) because that committee in making up the list of electors arbitrarily excluded therefrom, immediately before proceeding with the election, about 200 persons, a large portion of whom were qualified electors, without due investigation, since no opportunity whatsoever was given them to prove their right to vote. Another election has been ordered but has not yet been held.

In accordance with the provisions of section 4 of Act No. 83, Philippine Commission, as amended, elections for provincial governor were held on February 5 last in 29 of the 38 provinces of the archipelago, the governorship being an appointive office in 6 provinces, namely, Benguet, Lepanto-Bontoc, Mindoro, Moro, Neuva Vizcaya, and Palawan, and the elections having been postponed in 3 provinces, namely, Cavite, Isabela, and Samar, under authority of Act No. 1043.

About a month prior to the holding of these elections, in order "to obviate, as far as practicable, questions of procedure and disputed points * * * and to prevent the necessity of recourse to this bureau for telegraphic instructions regarding such points," a circular letter of instructions regarding the proper method of conducting said elections was sent by the executive secretary to all provincial secretaries of the provinces concerned, with directions "to have made at least six copies * * * in Spanish and an equal number in the local dialect and to post the same in the convention hall, at the opening thereof, in such manner that they may be readily consulted, calling attention thereto * * *."

This circular no doubt was of great assistance to the various election conventions and prevented the asking of many questions; but as all questions likely to arise in the minds of men of short experience in election matters could not be anticipated, more than 25 telegrams and letters were received requesting the opinion of this office on various points in connection therewith.

Some of these questions were smile provoking. For instance, one provincial governor wanted to know whether, in case the election should not terminate at 4 p. m. of the day the convention met, it might be continuous till some one was elected. The president of one of the conventions telegraphed that there had already been three ballots without a majority having been obtained by anyone, and said he was awaiting instructions. From another province a telegram was received stating that one of the candidates has received 108 out of 215 votes but that the chairman of the convention had ruled that 109 votes were necessary to elect, and requested a ruling by this office.

The elections were conducted in a quiet and peaceful manner, no riots or disturbances having been reported. The attendance of the qualified voters, namely, municipal vice-presidents and councilors, appears to have been good, notwithstanding that many municipalities are distant from and difficult of access to the capitals of the provinces where the elections are held, and that only actual and necessary expenses of transportation are allowed, expenses of subsistence being excluded.

Of the regular elections (in this report the elections held on February 5 and succeeding days will be called "regular" elections, and those held as a result of the annulment of the regular elections will be referred to as "special" elections), 1 ballot was sufficient to elect in 19 provinces, 2 in 1, 3 in 3, 4 in 2, 9 in 1, while in 1 province the contest was long drawn out, 17 ballots being necessary.

Of the candidates, all were Filipinos except two, who were Americans, one of whom was elected.

Of the persons whom the face of the returns of the regular elections showed to have been elected, 10 were holding the office of governor at the time of the election, while 19 were new men. The proportion stood 9 and 20, respectively, after the 2 special elections mentioned below.

Of the total of 29 regular elections held, 15 were protested, as were also both the special elections. The grounds of protest were various. In 4 elections purchase of votes was charged; in 7, coercion and intimidation of voters; in 8 it was charged that persons not qualified were allowed to vote; in 1 that qualified electors were not permitted to vote; in 6 that marked ballots, used to identify the voters thereof, were counted; in 4 that persons voted

who did not possess cedulas for the proper year; in 4 that officials electioneered, using their official positions to influence votes; in 4 that electors were housed and kept from communicating with others than supporters of the candidate elect; in 2 that political deals were made for the transfer of votes; in 1 that intoxicants were taken into the election room for electioneering purposes; in 2 that persons not voters and not entitled to be there were allowed in the election room; in 1 that the convention was organized by a plurality instead of a majority vote; in 2 that the candidates elect were men of bad character, and in 1 that the candidate elect was disloyal. There were, besides, other minor charges, some of which are rather amusing, for instance: That "in the ballot box there appeared a ballot written with a pencil, doubtless by a person not a qualified elector;" that the election was held in an unsuitable and unfit building; that the minds of electors were unduly influenced by indecent newspaper cartoons; that the partisans of the candidate elect had bands of music, the musicians being dressed in red uniforms, parading the streets shouting in a gross and subversive manner in order to create an impression in the minds of the electors; that an attorney threatened the electors, saying that anyone who did not vote for the Filipino candidate against the American would immediately have a complaint brought against him for being a bad Filipino; that, upon the assemblage of the electors in the election building, two of the party leaders of the candidate elect placed themselves under the balcony in open carriages filled with bottles of beer, which they threw to the councilors with the following words: "For the partisans of ———; to ——— with the rest;" that a councilor suspiciously introduced a basket of sweetmeats and eatables into the election hall, and that "a brother of the provincial governor read a speech, after the election for tellers, president, and secretary had taken place, recommending the election of the candidate elect, whom he eulogized."

The campaign in Leyte was perhaps the most interesting in its methods, some features being introduced which are unusual in Philippine elections. There the American governor was a candidate for reelection and was opposed by a Filipino supported by 2 Americans well known in the province. If the reports may be believed, the political orator was in evidence, intoxicants and other refreshments were used as a method of enticing or keeping the electors favorably disposed toward a candidate, race prejudice was appealed to, political processions with bands of music were resorted to, lampoons and attacks on character were made use of, and the political cartoon occupied a very prominent place. This latter feature in particular is new to Philippine politics, and the friends of the candidate caricatured could not understand why the minds of the electors should be allowed to be influenced by "indecent pictures" representing an elector "giving a kick to our candidate," representing their candidate as holding up an elector at the point of a revolver with a demand for his vote or his life, and representing an eagle carrying their candidate from the land of light (Leyte) to the land of darkness (oblivion).

After careful consideration all the regular elections were confirmed by the governor-general with two exceptions, namely, those in Bataan and La Union, where it was found that the will of the electors had not been clearly and fairly ascertained. At both of these elections the then governors were candidates for reelection, and the face of the returns showed them to have been successful. Special elections were called and held, with the same result in La Union as at the regular election, but different in Bataan, a new man having been chosen. Both of these elections were protested, as stated above, but without avail.

STATISTICS REGARDING APPOINTMENTS, ETC.

Appended hereto and marked "Exhibit C" ^a is a table showing the appointments, designations, declinations, resignations, number relieved by statutory provisions, etc., removals, and deaths of officials during the year, the statistics for the first quarter being separately stated therein. The large number of reliefs of justices and auxiliary justices of the peace is due to the passage of Act No. 1450.

Exhibit D is a table showing the number of provincial officials now in office and the relative number of Filipinos and Americans. Members of boards of tax appeals already appointed have been included in this table, though their appointments are not effective until October 1, 1906. The members of locust

^a Exhibit C is on file in the War Department.

boards are no longer included in the table, since it has recently been held that Act No. 817, under which they were appointed, is now inoperative. It will be noted that 75.31 per cent of the total number of provincial officials are Filipinos, which is practically the same percentage shown by the report of last year.

Exhibit E is a table showing the number of municipal and township officials (including justices of the peace, auxiliary justices of the peace, and notaries public) and the relative number of Filipinos and Americans. It will be noted that 99.37 per cent of the total number are Filipinos, which is practically the same percentage shown by the report of last year.

STATISTICS AS TO QUALIFIED VOTERS.

On March 8, 1906, the Bureau of Insular Affairs, Washington, D. C., requested information regarding the number of qualified voters in each province of the Philippine Islands, the qualifications of voters, number of votes cast in recent elections, etc., in order that inquiring Members of Congress might be accurately advised relative thereto. I have therefore thought it might be well to consider this matter in the present report.

The qualifications required of voters at elections in municipalities organized under Act No. 82 of the Philippine Commission, known as "the Municipal Code," are specified in section 6 thereof, which reads as follows:

SEC. 6. The electors charged with the duty of choosing elective municipal officers shall be male persons, twenty-three years of age or over, who have had a legal residence in the municipality in which they exercise the suffrage for a period of six months immediately preceding the election, and who are not citizens or subjects of any foreign power, and who are comprised within one of the following three classes:

(a) Those who, prior to the thirteenth of August, eighteen hundred and ninety-eight, held the office of municipal captain, gobernadorcillo, alcalde, lieutenant, cabeza de barangay, or member of any ayuntamiento.

(b) Those who own real property to the value of five hundred pesos, or who annually pay thirty pesos or more of the established taxes.

(c) Those who speak, read, and write English or Spanish: *Provided*, That officers, soldiers, sailors, or marines of the Army or Navy of the United States shall not be considered as having acquired legal residence within the meaning of this section by reason of their having been stationed in the municipalities for the required six months.

There are certain facts enumerated in section 8 of said act which disqualify from voting persons possessing the qualifications prescribed in section 6, such as delinquency in the payment of public taxes, conviction of crime, violation of the oath of allegiance, etc., but these need not be considered for the purposes of this report.

Appended hereto and marked "Exhibit F" is a tabulated statement showing by provinces the total number of persons qualifying as voters at the municipal elections held in December, 1903; the proportion thereof who qualified by virtue of the office qualification (section 6a), the property qualification (section 6b) the educational qualification (section 6c), or by combinations of these; the total number actually voting, and the civilized population of the province as organized at the time of said elections. The civilized population of voting age (23 years) is not known, as strangely enough the census of 1903 was taken on the basis of a voting age of 21 years.

Attention is called to the fact that this statement contains statistics, so far as the provinces of Albay, Cebu, Leyte, and Samar are concerned, only as to the total number of voters qualifying in each, the total number actually voting and the total civilized population; and that the figures given, except as to the civilized population, are only estimates, the reason being that reports have not been received from said provinces. These estimated statistics have been obtained by comparing Albay with Pangasinan, Cebu with Iloilo, and Leyte and Samar with Bohol, it being considered that conditions are similar in the provinces compared. One municipality of the province of Iloilo reported only the total number of persons qualifying and the total number actually voting, which have been included in the totals for said province.

In the provinces of Benguet, Lepanto-Bontoc, Mindoro, and Nueva Vizcaya, the towns of which were not organized under the municipal code, but under special acts, practically the whole male population over 18 years of age had a right to vote, no educational, property, or office qualifications being required.

Therefore a separate table marked "Exhibit G" is given for these provinces showing the total number of voters qualifying, the total number actually voting (except for Mindoro), and the total population, civilized and wild. The towns of Palawan were organized in the same way, but no report has been received from said province.

The Moro Province is organized under a special act (No. 787) relating to it alone. It possesses a municipal code of its own which requires either an office, property, or educational qualification, but the educational qualification is less stringent (all the Moro languages being included therein) than in municipalities organized under Act No. 82, and for this reason the data for said province are placed after the totals in Exhibit F.

It will be noticed, from a consideration of the data in Exhibit F, that the total number of persons qualifying as voters is very small as compared to the total civilized population, constituting only about 2.27 per cent. Excluding the estimated portion of the statistics (i. e., the portion relating to Albay, Cebu, Leyte, and Samar), the percentage is 2.44. It must be remembered, though, that the percentage is not accurate in either case, since it is not probable that at any election all the qualified voters qualify by taking the elector's oath.

Information similar to that now given has recently been requested from all the provinces as to the municipal elections held in December of last year, and I hope to be able to give in my next annual report complete and accurate data as to said elections for all the provinces of the archipelago.

DIVISION OF ARCHIVES, PATENTS, COPYRIGHTS, AND TRADE-MARKS.

This division, under the reorganization act, as stated hereinbefore, has again become a part of this bureau. The cattle-registration act and the corporation law have increased considerably the duties imposed upon the well-trained force under Mr. Manuel de Irlarte, the division chief. The greater part of the archives in the division is made up of documents inherited from the Spanish Government. In round numbers there are some 5,000,000 of these, many of them of great historical value, relating to events that transpired as far back as the year 1600.

During the year, for the purpose of obviating the ravages of the voracious anay, or white ant, which is no respecter of antiquity or condition, 9,200 files of these documents had to be removed, cleaned, and replaced on the shelving, which was moved away from the walls a distance of half a meter. The work of rearranging the old archives continues as time may be given it by the division force, the majority of which is engaged in registering cattle brands and copying record documents.

Legal provisions of various kinds covering the period from the beginning to the close of Spanish sovereignty in these islands, as found in the books and pamphlets, have been classified and arranged during the year. These provisions number 5,462. In the chronological index under preparation the royal decrees, rescripts, and orders from the year 1763 to 1778 have been included.

A total of 4,200 files of papers have been withdrawn from the archives to be turned over to the committee appointed last year to examine them and burn such as are deemed to be valueless.

Six hundred and two copies of documents containing 4,183 pages and 1,132,618 words were issued to private parties, yielding a revenue amounting to ₱1,133.16, which, added to ₱1,058.90, fees charged on account of the antiquity of the documents copied, and ₱313.50 for certificate fees, gives a total of ₱2,505.56.

In addition to the above, 45 copies were issued gratuitously on official request, containing 292 pages and 107,166 words.

I deem it proper here to urge the adoption of the proposition made in Mr. Irlarte's report of last year on account of the small sum realized from charges for making copies. It is obvious that the amount of labor expended in the preparation of these copies is not proportionate to the amount collected in fees. Those 1,132,618 words copied, compared, and counted, represent a volume of work too great to yield so insignificant a sum in comparison with other kinds of work which, although of less importance, yield the treasury a fair revenue.

It was proposed last year that instead of 10 centavos per hundred words, a charge of ₱1 per page be made, abolishing the fees for searching and antiquity. This change will effect not only a saving of time and labor in the counting of words, a long and exceedingly tedious operation, but an increase in receipts.

If ₱1 had been collected for each page as proposed, the amount realized would have been ₱4,183 which, with the ₱313.50 for certificates, would have brought the total amount collected up to ₱4,496.50, instead of ₱2,505.56, as given above.

In connection with the withdrawing of original documents from the files and forwarding them to judges of courts of first instance Mr. Iriarte in his report of last year said:

"I must further state that, by superior authority and by requests of the courts of first instance of Iloilo, Tayabas (Lucena), Cebu, and Benguet, 5 original testaments were forwarded to the same after being removed from the record books, for the taking of evidence and the legalization of said testaments.

"In this connection I can not but invite attention to the danger of these documents being lost, and especially to the damage caused to the record books by the removal of these documents. Besides, if this practice is continued, the record books will cease to be such from the moment that they are unbound and the documents of which they are made up disconnected. Aside from this consideration there is one still more serious. This practice would make it much easier to abstract documents and commit other abuses which it is impossible to foresee at this time, but which can not remain concealed from the penetration of the Commission. It is doubtless in prevision of such cases that the former notarial law, implanted by royal order on February 15, 1889, provides in article 17 for the creation of these record books and strictly prohibits, in article 32, that the same be removed from the building where they are kept, except in cases of force majeure, providing, further, that no document shall be removed from the record books unless there are sufficient indications or reasons for considering it a *corpus delicti*.

"In view of these reasons, the undersigned deems it advisable that an act be passed by the Commission, if possible, providing for a method whereby judges will be enabled to perform their mission without the necessity of removing the records and documents from this bureau, except under the circumstances above mentioned, thus reconciling the interest of the service with the security of the preservation of these documents."

I am in full and hearty accord with these recommendations, and make them my own. The act could provide that certified copies of original documents under the seal of the division or bureau should be received by all courts as primary evidence of the same, except for the purpose of proving handwriting.

Of the 5 original testaments before referred to only 2 were returned, the 3 not returned being in possession of the courts of first instance of Iloilo and Cebu, where they have been since January 20, February 8, and June 16, 1905.

By order of the judge of the court of first instance of Occidental Negros, the original testament of Señor Aunario Alos was forwarded to said judge on October 31, 1905, and has not yet been returned.

In order, therefore, to obviate the accidents to which these documents are liable, some such legislation as that proposed ought to be enacted, and I believe it would prove no obstacle to the proper administration of justice and would not impair the service.

Thirty-three books and several files of notarial records have been received in these archives from the provinces of Nueva Ecija, Tarlac, Rizal, Pangasinan, Albay, Occidental Negros, Romblon, Manila, Bulacan, Union, Masbate, Cavite, Cebu, and Ambos Camarines.

REGISTER OF CATTLE BRANDS.

Sixty-two thousand eight hundred and forty-two copies of brands have been received. Eleven thousand five hundred and forty-six of these were returned as defective, of which 2,259 have been returned by the municipalities duly corrected. Ten thousand nine hundred and eighty-nine brands have been registered. The number of copies of brands received since the establishment of the service to date, with the exception of those returned which have not yet been corrected, is 75,563.

A total of 3,209 letters have been sent to municipal treasurers returning the defective brands above mentioned, which is more than sufficient proof of the fact that, in spite of the efforts made by this office to regulate the system by giving those officials definite and precise instructions and furnishing them printed forms for the copies of brands, they remain in complete ignorance as to the form in which they should comply with the law in this respect, omitting necessary details in the forms or filling them in erroneously. The

persistent repetition of so many errors of omission reached the point where this office found it necessary to call upon the provincial treasurers to give municipal treasurers to understand that it is their duty, pursuant to the provisions of section 3 of the act, to prevent the registration of brands having a similarity to those already registered.

Of the 413 municipalities mentioned in Mr. Iriarte's report of last year as not having sent in the brands of their respective jurisdictions, there remain 160 still to hear from, notwithstanding the many and frequent calls made upon them.

The facts stated show very clearly that the greatest burden imposed upon the division is the registration of cattle brands, not by reason of the actual work of registration and filing of copies of brands, provided all of these came to it in legal form, but because of the constant struggle to keep up with the correspondence made necessary by ignorant, careless, and dilatory municipal officials.

I should here invite attention to a very important matter closely related to the one under consideration. Some of the governors of neighboring provinces are complaining of an increase in cattle stealing in their respective jurisdictions, encouraged by the ease with which the kine may be registered in Manila, and the impunity with which the thieves find a ready sale for the stolen animals.

Section 37 of Act No. 1147, relating to the registration, branding, transfer, and slaughter of large cattle, exempts the city of Manila from its provisions, merely providing that the local ordinances and regulations on the subject which are now in effect here shall continue in force. These are most deficient.

Doubtless the primary object of the section cited is to respect the powers conferred upon the municipality of Manila by sections 16 and 17 of its charter to pass ordinances regulating the service intrusted to its administration. The fact is, however, that from the date of the passage of that act, July 30, 1901, to the present, not a single ordinance or regulation has been adopted bearing upon the important matter which I am here discussing. Consequently, innumerable abuses have grown up, since cattle may be registered here without first establishing their ownership and origin.

Conference with the governors of Rizal, Bulacan, and other near-by provinces have convinced me that what might be termed a carabao-stealing trust exists therein. The head office seems to be in Bulacan, with branch offices in Tarlac, Pangasinan, Nueva Ecija, Pampanga, Rizal, and Cavite. Recent arrests made in Bulacan would seem to confirm the existence of this nefarious organization. One of the worst features of the scheme is that carabao owners themselves are evidently in league with the thieves. The modus operandi is about as follows: A carabao owner allows one or more of his cattle to be taken by a confederate, who proceeds to Manila and registers it or them, giving an assumed name for that of the owner. He then proceeds with his cattle and his Manila papers, which are always considered as "gilt-edged," to Rizal, Bulacan, or some other neighboring province and sells the former, dividing the proceeds with the owner. The latter subsequently goes to the purchaser and recovers his stock under threats of prosecution for receiving stolen property, or some other like charge, and returns home with his carabao and his "swag," a wealthier and more degraded man. In view of these facts, I would suggest that while a study is being made of such amendments as, at the proper time, will make the law in question applicable to the city, it would be advisable to adopt precautionary measures. Let the office now having charge of the registration of cattle in Manila be directed to demand the presentation of documents of ownership or transfer in every instance before registering any kind of large cattle presented for the purpose, and in case such papers can not be produced or are found to be defective, giving rise to a doubt as to the ownership of the cattle, to turn over the animals, together with the person presenting them, to the courts of justice in order that the proper investigation may be made and the guilty party be punished in case a crime has been committed. Only in this manner can so deplorable an evil be promptly remedied.

REGISTRATION OF PATENTS, COPYRIGHTS, AND TRADE-MARKS.

During the past year 85 trade-marks have been registered, producing an income of ₱4,250; 11 certified copies of registration of trade-marks have been issued and fees collected therefor amounting to ₱21.93; 1 certificate of trade-mark transfer has been issued, fee ₱0.50; 35 copyright certificates have been

issued, fees ₱35; 27 patents issued in the United States have been filed, fees ₱154; 6 certificates of transfer of United States patents have been filed, fees ₱12; 6 copies of transfers of United States patents have been issued, fees ₱12; 1 certified copy of a United States patent was issued, fee ₱1.20; Mr. Carlos Gsell has paid his annual fee for patents issued during the Spanish government, ₱282.40; 8 certified copies of caveats have been filed, fees ₱16; making a total of ₱4,785.03 collected in this behalf.

Referring to the act of Congress of March 3, 1903, relative to new inventions, Mr. Iriarte, in his report for last year, urged the advisability of having his office authorized to receive applications for patents for transmittal to the United States, a duplicate of the application being filed therein upon payment of a fee of ₱2.

The object of this suggestion was merely to provide inventors a means of securing the proper patent for their inventions without the financial sacrifice necessarily incurred by having to employ attorneys residing in Washington or elsewhere in the United States to attend to the dispatch of the application there which, aside from the expense involved, would present to this people, unacquainted with the methods prevailing at home, so many other difficulties that they might desist from the undertaking.

The division is now authorized to receive applications for caveats, and it seems natural that it should also receive applications for patents to be issued in the United States. For the reasons stated I think there can not be the least doubt as to the advisability of such authorization, and I do not hesitate to so recommend. Such a measure would remedy present difficulties and at the same time encourage the natives of this country to devote themselves to the development of their inventive faculties.

With reference to the protection afforded in these islands to patents registered in the United States, Circulars No. 12, of April 11, 1899, and No. 21, of June 1, 1899, of the then division of customs and insular affairs of the Department of War at Washington, D. C., continue in force here, but in view of the fact that certain attorneys express a doubt as to this since the establishment of civil government in the islands, it might be well for the Philippine Commission to enact them in the form of laws.

REGISTRATION OF CORPORATIONS.

Since the passage of Act. No. 1459, on March 6 of this year, the division of archives has been registering and filing articles of incorporation, etc., in the order of their presentation. Since the inauguration of this service there have been registered and filed 12 articles of incorporation, besides 6 drafts of by-laws and 2 affidavits of foreign corporations, producing an income in fees of ₱412.

These articles of incorporation and affidavits are from the following corporations: The University Club of Manila (nonstock corporation); Uling-Lutac Coal Mining Corporation (stock corporation); Macleod Telegraph Codes Company (stock corporation); Wilson Plantation Company (stock corporation); Camara de Comercio China de Filipinas (nonstock corporation); Assinga Company (Limited) (stock corporation); the Yek Tong-Lin Fire and Marine Insurance Company (Limited) (stock corporation); the Yek Tong-Lin Company (Limited) (stock corporation); the Roman Catholic Bishop of Jaro (religious corporation); La Montserrat Bakery (Limited) (stock corporation); Baco River Plantation Company (stock corporation); Manila Transport Company (stock corporation).

Foreign corporations: W. F. Stevenson & Co. (Limited), certified copy of its charter and the order of the secretary of commerce and police; Hongkong and Shanghai Banking Corporation, certified copy of its charter and the order of the secretary of finance and justice.

DATA AS TO INFORMATION FURNISHED.

During the year the division of archives has furnished reports, copies, and other data and information to government and military departments and bureaus, as well as to courts, the navy, and private corporations, firms, and persons covering 47 distinct subjects.

RECORDER OF THE COMMISSION.

The division at the head of which is the recorder of the Commission is in fact what remains of the former office of the secretary of the Philippine Commission, which was fused with this bureau on January 31, 1903, and the duties of the

recorder are practically, save in a few details, those of the secretary of that body. Upon the promotion of Mr. Claude W. Calvin, on November 1, 1905, to the position of chief clerk of the bureau, Mr. William H. Donovan, for several years private secretary to Commissioner Smith, was elected by the Commission to succeed him as recorder of the Commission.

The records in the custody of the recorder show the total number of executive sessions held by the Commission during the fiscal year 1906 to have been 185; the total number of public sessions, 21; the number of laws enacted, 143; the number of resolutions adopted, 652; the number of appointments confirmed, 1,375, and the number of acts of the legislative council of the Moro Province approved, 48. The Commission usually meets both morning and afternoon in executive session, but two meetings on one day are recorded as one session. In the case of public sessions, however, the records show morning and afternoon sessions separately.

Of the 185 executive sessions 37 were held in the first quarter of the fiscal year, and nine of the public sessions were held during the same quarter. In the month of August, 1905, only four executive sessions of the Commission were held, due to the visit to the islands of the honorable the Secretary of War and party of United States Senators and Representatives. The party arrived in Manila on August 5, and after devoting four days, August 7 to 10, inclusive, to public hearings upon the proposed reduction of the United States tariff upon Philippine sugar and tobacco, the extension of the United States coastwise inspection laws to the Philippines, and the general economic condition of the islands, and holding a special session with the Commission on August 12, it left Manila, accompanied by the Commission, for a tour of inspection over the southern islands. Before the return of the party to Manila on August 28, hearings were given to the public in Iloilo and Bacolod. On August 29 and 30 public sessions were again held in Manila for the purpose of hearing complaints, and a special session with the Commission was held on August 30. On August 31 the party embarked for the United States.

In the month of June, also, the Commission met formally but four times, owing to the lack of a quorum, Commissioners Tavera and Luzuriaga having been granted leave of absence for the month, and Commissioner Legarda for the months of June, July, and August. This leave has since been extended to November. Since the return of Governor-General Wright to the United States, accompanied by Commissioner Forbes, on November 4, 1905, the Commission's working personnel here has been reduced to six members practically all of the time, for within a few days after Commissioner Forbes's return to the islands in March last Commissioner Smith left for the United States, with the intention of returning to the Philippines in September next.

On July 1 of the present fiscal year a quorum was reestablished, and the regular sessions were resumed. This temporary cessation of the meetings of the Commission caused no appreciable inconvenience, for the reason that on June 1 the Commission was probably more nearly abreast of its current work than it has been since the beginning of its labors in the islands.

Of the 143 laws enacted during the fiscal year 36 were passed during the first quarter and 107 during the remaining three-quarters of the year, 19 less than for the corresponding period of the year 1905. In this connection it is interesting to note that the number of laws passed in the twelve months ended September 30, 1904, was less by one-fourth than the number passed for the corresponding period of 1903, and that the number passed in the twelve months ended September 30, 1905, was less by one-half than the number passed in 1904. This reduction in the amount of legislation enacted is of course explained by the fact that with the development and perfection of the governmental organization the need for new administrative legislation decreases from year to year.

IMPORTANT ACTS PASSED BY THE COMMISSION.

Notwithstanding the foregoing statement a number of the most important administrative laws on the statute books were enacted during the past year, namely, the special provincial government act, the township government act, the accounting act, the reorganization act, the land-tax suspension act, the act reorganizing the justice of the peace system, the opium act, and the district health officers' act.

The special provincial government act, passed on September 14, 1905, provides for the organization of provincial governments in all provinces of the Philippine Islands, other than the Moro Province, not organized under the pro-

visions of the provincial government act. The township government act was passed on the same day and provides for the establishment of local civil governments in the townships and settlements of provinces inhabited by non-Christian tribes outside of the Moro Province. This act, as well as the special provincial government act, was printed also in the Ilocano dialect and distributed in the northern provinces.

The accounting act was passed on October 10, 1905, and provides for a more complete system of money accountability for the government of the Philippine Islands, repealing the original accounting act, No. 90.

The reorganization act abolished certain bureaus of the insular government, reduced the number of bureaus by consolidating certain bureaus with others, prescribed the duties of the various bureaus and certain officials thereof, fixed the salaries of chiefs and assistant chiefs of the bureaus and certain other officials thereof, reorganized the departments of the interior, commerce and police, finance and justice, and public instruction, and assigned certain bureaus to the immediate and direct executive control of the governor-general. The larger part of 21 sessions of the Commission was occupied in the consideration of the report upon which this law was based. Its passage effected a considerable reduction in the expense of administration.

The act to increase the efficiency of the courts of justices of the peace was passed on February 3, 1906, and has been referred to hereinbefore. It was passed after two conferences between the Commission and the supreme court of the islands, consideration of communications on the subject received from provincial boards, conventions of municipal presidents, provincial officials, and the judges of the courts of first instance, and considerable discussion in executive session.

The land-tax suspension act was passed on February 19, 1906, and has been also referred to early in this report.

The opium law was passed on March 8, 1906, for the purpose of restricting the sale and suppressing the evil resulting from the sale and use of opium until March 1, 1908, when its importation or use for any but medicinal purposes is forbidden by act of Congress. A bill on this subject was framed and very earnestly and bitterly discussed in July, 1903. The bill was not passed then, but as a result of the discussion a committee was appointed to investigate the use of opium and the traffic therein in certain designated countries of the Orient. After a careful study of the report of this committee, another bill was prepared by Commissioner Smith and the question of the prohibition or regulation of the opium traffic was again discussed in public session in March last. The bill of March 8 was perfected and passed later in executive session.

The district health officers' act was passed on May 16, 1906, and abolished the provincial boards of health, substituted therefor district health officers, and provided a more efficient and economical sanitary system for the islands. The bill proposing this law was publicly discussed before the Commission in December, 1905, and copies of it were sent to the provinces for comment before its enactment.

Other important acts passed by the Commission during the period covered by this report to which attention should be called are the following:

No. 1365. An act prescribing and adopting the arms and a great seal of the government of the Philippine Islands, and providing for the use and custody of the great seal. (Passed July 3, 1905.)

No. 1376. An act providing for the speedy disposition of controversies as to the right of administration or possession of churches, convents, cemeteries, and other church properties, and as to the ownership thereof and title thereto by vesting in the supreme court of the Philippine Islands original jurisdiction to decide such controversies, and for other purposes. (Passed July 24, 1905.)

No. 1386. An act conferring upon courts of first instance jurisdiction over petitions from persons desiring to change their names. (Passed September 1, 1905.)

No. 1401. An act abolishing the offices of provincial supervisor and supervisor-treasurer in the provinces organized under the provincial government act, providing that certain duties heretofore performed by provincial supervisors shall devolve upon the provincial treasurers, and that the division superintendent of schools shall be a member of the provincial board, and creating the office of district engineer and fixing his powers and duties. (Passed October 4, 1905.)

No. 1405. An act abolishing the court of customs appeals and transferring the powers and duties of that court to the court of first instance for the city of Manila. (Passed October 13, 1905.)

No. 1411. An act for the purpose of maintaining the parity of the Philippine currency in accordance with the provisions of sections one and six of the act of Congress approved March second, nineteen hundred and three, by prohibiting the exportation from the Philippine Islands of Philippine silver coins, and for other purposes. (Passed November 17, 1905.)

No. 1415. An act establishing a medical school and defining the manner in which it shall be controlled and conducted. (Passed December 1, 1905.)

No. 1427. An act to amend Act Numbered One hundred and ninety, entitled "An act providing a code of procedure in civil actions and special proceedings in the Philippine Islands," as amended by Act Numbered Eleven hundred and twenty-three, so as to continue the Spanish language as the official language of all courts until the first day of January, nineteen hundred and eleven, providing that applications for receivers and certain writs may be filed in English, and for other purposes. (Passed December 22, 1905.)

No. 1438. An act providing for the commitment of juvenile offenders between certain ages to charitable or educational institutions instead of to the public prisons or jails, and for the transfer of such offenders from public prisons or jails to such charitable or educational institutions, and for other purposes. (Passed January 11, 1906.)

No. 1439. An act providing a method of enabling masters of ships in certain cases to secure the return to their ships of seamen who have deserted therefrom in the Philippine Islands. (Passed January 16, 1906.)

No. 1444. An act providing for the issue of bonds of the government of the Philippine Islands, to the amount of one million dollars, gold coin of the United States of the present standard value, for the purpose of providing funds to construct port and harbor works, bridges, roads, buildings for provincial and municipal schools, court-houses, penal institutions, and other public improvements for the development of the Philippine Islands, pursuant to the provisions of section two of the act of Congress entitled, "An act to amend an act approved July first, nineteen hundred and two, entitled 'An act temporarily to provide for the administration of the affairs of civil government in the Philippine Islands, and for other purposes,' and to amend an act approved March eighth, nineteen hundred and two, entitled 'An act temporarily to provide revenue for the Philippine Islands, and for other purposes,' and to amend an act approved March second, nineteen hundred and three, entitled 'An act to establish a standard of value and to provide for a coinage system in the Philippine Islands,' and to provide for the more efficient administration of civil government in the Philippine Islands, and for other purposes," approved February sixth, nineteen hundred and five. (Passed January 24, 1906.)

No. 1451. An act modifying General Orders, number sixty-eight, issued by the military governor of the Philippine Islands on December eighteenth, eighteen hundred and ninety-nine, in so far as they relate to the age at which persons may marry without the consent of parents or guardians. (Passed February 5, 1906.)

No. 1457. An act so amending section three of the charter of the city of Manila as to define more clearly the jurisdiction of the city government for police purposes within the zone surrounding the city, and providing for the better enforcement of subsection (i) of section three of Act Numbered Eleven hundred and fifty, which subsection relates to the protection of the purity of the water supply of Manila. (Passed February 21, 1906.)

This is one of the laws discussed in public session and it is thought drew as large a number of persons together as ever gathered to hear the discussion of any law of the Commission, the seating capacity of the large Marble Hall being inadequate to accommodate all present.

No. 1458. An act regulating the establishment and maintenance of burial grounds and cemeteries, and governing public funerals and the disposal of the dead in the Philippine Islands, outside the city of Manila, and for other purposes. (Passed February 21, 1906.)

No. 1474. An act providing that the central equalizing board authorized by Act Numbered Fourteen hundred and fifty-five as amended by Act Numbered Fourteen hundred and seventy-two shall have jurisdiction to revise the assessments of real estate for the purpose of taxation in the city of Manila for the year nineteen hundred and six. (Passed April 16, 1906.)

No. 1476. An act regulating the issuance of postal money orders in the Philippine Islands. (Passed April 17, 1906.)

No. 1482. An act extending the provisions of the accounting act to the audit of accounts of municipal and township treasurers by district auditors and

amending certain sections of the municipal code, the provincial government act, the special provincial government act, the township government act, and the acts relating to the organization and government of the Moro Province, and other acts, with relation to the audit of provincial and municipal accounts, and for other purposes. (Passed May 1, 1906.)

No. 1491. An act providing for the education of Filipino students as surveyors. (Passed May 22, 1906.)

No. 1493. An act to encourage economy and saving among the people of the Philippine Islands, and to that end to provide for the establishment of postal savings banks and their administration through the organization of a postal savings bank division in the bureau of posts, and for other purposes. (Passed May 24, 1906.)

No. 1499. An act to prevent the use of explosives and poisons for taking fish in the waters of the Philippine Islands. (Passed May 29, 1906.)

APPROPRIATION ACTS PASSED.

Twenty appropriation acts were passed during the fiscal year, 12 of which made appropriations from general funds, 6 from funds realized from the sale of public-improvement bonds, 1 from the gold-standard fund, and 1 from the Congressional relief fund. The purposes of these appropriations are shown by the titles of the acts, which follow:

From general funds.

No. 1416. An act making appropriations for sundry expenses of the insular government for the fiscal year ending June thirtieth, nineteen hundred and six, and other designated periods. (Passed December 1, 1905.)

No. 1421. An act making appropriations for sundry expenses of the municipal government of the city of Manila for the fiscal year ending June thirtieth, nineteen hundred and six, and other designated periods. (Passed December 15, 1905.)

No. 1445. An act appropriating the sum of one hundred and twenty-six thousand six hundred pesos, Philippine currency, for the completion of the improvement of the Pasig River front in the city of Manila along Calle Maestranza, and providing for the advancement of that sum from general funds of the insular government, to be reimbursed from proceeds to be realized from the sale of additional public-improvement bonds. (Passed January 24, 1906.)

No. 1449. An act appropriating the sum of six hundred and seventy-seven thousand five hundred and twenty pesos for certain public works and permanent improvements of the insular government, and providing for the advancement of that sum from general funds of the insular government, to be reimbursed from proceeds to be realized from the sale of additional public-improvement bonds. (Passed February 2, 1906.)

No. 1455. An act suspending the collection of the land tax throughout the Philippine Islands, outside the city of Manila, during the calendar year nineteen hundred and six, appropriating funds from the insular treasury for reimbursement to the provinces and municipalities of the sums which they will lose by reason of the suspension of the land tax and providing a method of equalization and revaluation of land assessments and of obtaining information as to the rental values of lands and improvements thereon. (Passed February 19, 1906.)

No. 1478. An act making additional appropriations for sundry expenses of the insular government for the fiscal year ending June thirtieth, nineteen hundred and six, and other designated periods. (Passed April 19, 1906.)

No. 1488. An act making additional appropriations for sundry expenses of the government of the city of Manila for the fiscal year ending June thirtieth, nineteen hundred and six. (Passed May 17, 1906.)

No. 1500. An act appropriating the sum of fifty-five thousand pesos to meet a deficiency in the police department of the city of Manila for the fiscal year nineteen hundred and six. (Passed June 6, 1906.)

No. 1380. An act providing for a loan of twenty-five thousand pesos, Philippine currency, to the province of Cebu. (Passed August 14, 1905.)

No. 1389. An act providing for a loan of twenty-five thousand pesos to the province of Samar. (Passed September 5, 1905.)

No. 1418. An act providing for a loan of thirty-five thousand pesos to the province of Albay. (Passed December 5, 1905.)

No. 1469. An act providing for a loan of fifty thousand pesos to the province of Tarlac for the construction of a provincial building. (Passed March 30, 1906.)

The last four acts it will be noted appropriate funds to be loaned to provinces.

The consideration of the general appropriations for the insular government and the city of Manila for the fiscal year 1906 occupied the greater part of 25 executive sessions.

From funds realized from the sale of public improvement bonds.

No. 1378. An act appropriating the sum of twenty-four thousand pesos, Philippine currency, for completing the construction of and repairs to the road and bridges from Calamba to Bay, by way of Los Baños, in the province of La Laguna. (Passed August 2, 1905.)

No. 1379. An act appropriating the sum of one hundred thousand eight hundred and fourteen pesos and sixty-two centavos, Philippine currency, from the funds realized from the sale of public-improvement bonds, authorized by Act Numbered Thirteen hundred and one, for continuing the improvement of the Pasig River front in the city of Manila along Calle Maestranza. (Passed August 12, 1905.)

No. 1422. An act appropriating the sum of six hundred and fifty-six thousand one hundred pesos from the funds realized from the sale of bonds authorized by Act Numbered Thirteen hundred and twenty-three, for the purpose of constructing sewers in the city of Manila and to furnish it with an adequate sewer and drainage system and supply of water. (Passed December 15, 1905.)

No. 1479. An act appropriating the sum of nine hundred and forty-eight thousand one hundred pesos from the funds realized from the sale of public improvement bonds authorized by Act Numbered Fourteen hundred and forty-four for certain public works and permanent improvements of the Insular Government. (Passed April 23, 1906.)

No. 1486. An act appropriating the sum of one hundred thousand pesos from the funds realized from the sale of bonds authorized by Act Numbered Thirteen hundred and twenty-three, for the purpose of constructing sewers in the city of Manila, and to furnish it with an adequate sewer and drainage system and supply of water. (Passed May 11, 1906.)

No. 1490. An act appropriating the sum of twenty-five thousand pesos from the funds realized from the sale of public improvement bonds authorized by Act Numbered Fourteen hundred and forty-four for the continuation of the construction of a road across the Province of Samar, connecting the municipalities of Wright and Taft, with a branch trail of five miles to Magtaon, in said province. (Passed May 21, 1906.)

From the gold-standard fund.

No. 1377. An act to authorize the issue of one million five hundred thousand dollars of certificates of indebtedness under and by authority of section six of the Act of Congress entitled "An act to establish a standard of value and to provide for a coinage system in the Philippine Islands," approved March second, nineteen hundred and three, in addition to the twelve millions of dollars of certificates of the same character already authorized by Acts Numbered Six hundred and ninety-six, Seven hundred and ninety-two, One thousand and fifty, and Eleven hundred and ninety-five, all except the last of which issues have been retired, and appropriating the sum of three million dollars, in gold coin of the United States, from the gold-standard fund for the purpose of paying the principal of the fourth series of certificates of indebtedness issued pursuant to the provisions of said Act Numbered Eleven hundred and ninety-five. (Passed July 27, 1905.)

From the Congressional relief fund.

No. 1403. An act appropriating the sum of one hundred and ten thousand dollars, in money of the United States, from the fund of three million dollars appropriated by the Congress of the United States for the relief of distress in the Philippine Islands, for expenditure under the direction of the governor-general upon resolution of the Philippine Commission. (Passed October 19, 1905.)

ACTS AFFECTING INDUSTRIAL AND COMMERCIAL DEVELOPMENT.

The Commission has given much attention during the past fiscal year to matters affecting the industrial and commercial development of the country, and has considered and passed a number of laws and resolutions of the greatest importance to the prosperity of the islands. The principal of these are:

Act No. 1368. An act to provide for the granting of a franchise to construct, maintain, and operate telephone and telegraph systems, and to carry on other electrical transmission business in and between the provinces, cities, and municipalities of the island of Luzon. (Passed July 6, 1905.)

No. 1446. An act granting a franchise to Charles M. Swift to construct, maintain, and operate an electric railway, and to construct, maintain, and operate an electric light, heat, and power system from a point in the city of Manila in an easterly direction to the town of Pasig, in the Province of Rizal. (Passed January 30, 1906.)

No. 1447. An act granting permission to the Manila Electric Railroad and Light Company to construct certain tracks and overhead work in the city of Manila and use the same, and to carry freight and parcels over its lines. (Passed January 30, 1906.)

No. 1459. An act providing for the formation and organization of corporations, defining their powers, fixing the duties of directors and other officers thereof, declaring the rights and liabilities of shareholders and members, prescribing the conditions under which such corporations may transact business, and repealing certain articles of the Code of Commerce and all laws or parts of laws in conflict or inconsistent with this act. (Passed March 1, 1906.)

No. 1497. An act granting to the Philippine Railway Company a concession to construct railways in the islands of Panay, Negros, and Cebu, and guaranteeing interest on the first mortgage bonds thereof, under authority of the act of Congress approved February sixth, nineteen hundred and five. (Passed May 28, 1906.)

No. 1508. An act providing for the mortgaging of personal property, and for the registration of the mortgages so executed.

No. 1510. An act granting to the Manila Railroad Company a concession for railway lines in the island of Luzon, and providing in respect of proceedings for condemnation of land by public service corporations.

No. 1511. An act providing for the construction, repair, and maintenance of public highways, bridges, wharves, and trails in those provinces organized under the provincial government act which shall vote to adopt the provisions of this act in the manner hereafter provided, and providing a penalty for malicious injuries to highways, bridges, wharves, and trails.

Act No. 1459, the corporation law, was very fully discussed in public sessions held in July, 1905, and a large number of communications containing suggested amendments was received. It is one of the duties of the recorder's office to place all the material suggestions received in public session and in communications in such form as will facilitate the work of the Commission in the consideration of the subject to which they relate, and the careful and orderly arrangement of these suggestions in many cases involves no small amount of labor, and this was especially true of the corporation law. Considerable time in executive session was spent by the Commission in the perfection and passage of this bill.

Acts No. 1508, 1510, and 1511 have not been passed yet, but this report of the important work accomplished during the past fiscal year would not be complete without mention of these laws, for the reason that the greater part of the attention received by them was given before June 30.

When Act No. 1508 was in the form of a bill copies of it were sent out to all the banks and all the commercial houses of any importance in the islands, in order that they might have an opportunity to express their views as to its provisions prior to the date of its public discussion.

Act No. 1510, granting a concession for the construction of railways in the island of Luzon, as in the case of Act No. 1497, was drafted in Washington and perfected by telegraphic correspondence between the Commission and the Secretary of War.

Act No. 1511, the Philippine road law, two months before its passage, was sent to the provincial boards of all the provinces with the request that they ascertain the sentiment of the people with respect to its provisions. Twenty-five of the provinces responded before the public session was held, 19 of which number were in favor of the bill, with certain modifications as to detail, 4 were opposed to the compulsory road-tax feature and favored a fixed road tax in money, and 3 were opposed to the bill as a whole. The suggestions of the provinces have been taken up and considered one by one, and a number of them adopted.

RESOLUTIONS OF THE COMMISSION.

The subject of the specific acts of the Commission looking directly to the commercial and industrial development of the islands should not be left without calling attention to certain resolutions of the Commission which appear in the record.

In order that the government might be able to answer any questions arising in connection with the construction of the railroads in the islands, a resolution was adopted on September 14, 1905, authorizing the employment of two survey parties, to be charged with the preliminary survey of the ports throughout the islands which are destined to be railway termini, and of such other ports as in the opinion of the secretary of commerce and police merit investigation, with a view to improving the facilities of coastwise and foreign shipping.

On September 18, 1905, a resolution was adopted authorizing the modification of the plans for the Cebu harbor improvements, so as to increase the dimensions of the sea wall provided for the port of Cebu at a cost of ₱141,520 beyond the ₱1,080,000 then authorized.

On October 30 the records show that the governor-general was authorized and empowered to appoint two representatives to go to Washington in the interests of the reduction or the abolition of the tariff upon goods imported from the Philippine Islands into the United States, and to direct the chief of the bureau of agriculture to proceed to Washington to appear before the Congressional committee for the purpose of giving accurate information relative to the present state of agriculture in the Philippines, and to aid in securing legislation favorable to the agricultural interests of the islands.

On November 2, 1905, a resolution was adopted approving the report submitted by the united chambers of commerce of Manila, the Shipowners' Association of the Philippines, and others to the chairman of the House Committee on Merchant Marine and Fisheries relative to the Frye shipping bill and the effects of its enforcement in the Philippine Islands. In accordance with the direction of the Commission, this approved report was forwarded to the Secretary of War.

By resolution adopted February 8, 1906, the Commission authorized the investigation of the subject of agricultural banks in Egypt.

On April 23, 1906, it was resolved that the director of port works be authorized to enter into a contract with the Atlantic, Gulf and Pacific Company for the construction of two steel wharves at the port of Manila for the sum of ₱886,046.59.

On April 30, 1906, the secretary of commerce and police was by resolution authorized to enter into a contract with certain of the interisland steamship companies for the improvement of the interisland service and the reduction of freight and passenger rates in consideration of a subsidy or compensation to be paid to them by the government. The steamship companies are now operating under this contract.

On May 30 the Commission directed the preparation of a bill for the disposition of land to be acquired by the government throughout the archipelago by dredging, filling, and otherwise, and in relation to the ownership, control, and proper administration of the foreshore in general.

Of the 652 resolutions adopted during the year, 118 are found in the records of the first quarter, covered in last year's report of the recorder, Appendix D to my report.

On April 27 the Commission disposed of 23 applications for pensions or gratuities from persons who were injured while aiding the government in maintaining peace and order, or who had lost relatives in the service of the constabulary. After carefully considering each case, the Commission authorized the appropriation of ₱4,000 to be divided among nine of the most deserving applicants in the form of a gratuity, to be disbursed to them in small amounts monthly.

INAUGURATION OF GOVERNOR-GENERAL IDE.

In the month of February, 1906, the Commission was officially informed of the confirmation of the appointment of Vice-Governor Ide to succeed Governor-General Luke E. Wright, appointed United States Ambassador to Japan, and of Commissioner Smith to succeed Vice-Governor Ide. The inauguration of the governor-general took place on April 2, 1906, in the marble hall of the ayuntamiento, and was attended by the justices of the supreme court of the islands, the official representatives in the Philippines of foreign governments, the higher military and naval authorities and their staffs, provincial governors, court

judges, and other insular, provincial, and municipal officials, a delegation from each chamber of commerce in the city of Manila, and a large representation of the general public. Commissioner Smith, having left for the United States in March, was not present to take the oath of office as vice-governor.

SESSIONS AT BAGUIO.

On April 3, 1906, the Commission adjourned to meet in Bagulo, Benguet, the summer capital, as in previous years, and on April 16 opened its sessions there and continued them the morning and afternoon of practically every day during its stay of nearly two months. The staff of the Commission at Bagulo this year was composed of 15 employees, only 2 of whom, besides the recorder, were actually employed in the work of this office, the others being connected with the several offices of the Commissioners, with the exception of one, an interpreter and translator belonging to the translating division of the executive bureau. Each year the greater part of the work of arranging the details of the Commission's stay at Bagulo is left to the recorder's division, and the same is made the central office there for the transaction of business. While in Manila, the American Commissioners are necessarily engaged a large part of their time with their administrative duties as heads of departments and in conferring and advising with the various officials of the several branches of the government; in Bagulo practically their whole time is given to the work of the Commission as a body, matters being so arranged by the Commissioners with respect to their executive work that this may be done. The Commission closed its sessions at Bagulo on May 30, 1906, after a very busy season, practically all accumulated routine matters having been disposed of and a number of the most important laws of the year having been enacted or prepared for public discussion.

MATTERS PENDING BEFORE COMMISSION.

On June 30, aside from those before mentioned, the following matters were pending before the Commission:

(1) A proposed act entitled "An act to provide for inspecting and sealing weights and measures and to regulate their use." This bill was passed to a first and second reading before June 30, and will be discussed in public sessions beginning July 23, 1906.

(2) A proposed act entitled "An act so amending Chapter III of Act No. 190 as to facilitate the acquisition of title to real and personal property by shortening the time within which actions for the recovery thereof against persons in actual possession may be commenced." This bill was passed to a first and second reading and publicly discussed in January, 1906.

(3) The question of the disposition of the newly made lands and the control and administration of the foreshore in general.

(4) The question of the portion of the reclaimed harbor land in Manila required by the military authorities.

(5) The question of the transfer to the civil government of the telegraph lines in the islands now operated by the military authorities.

(6) The penal code and the code of criminal procedure.

Three other important measures which have received the informal attention of the Commission, and which it is understood are now practically ready for presentation, are the bankruptcy bill, a bill relating to general elections, having particular reference to the election of delegates to the coming Philippine assembly, which is referred to hereinafter, and a bill making it compulsory for coastwise boats to carry the mails free, as in the time of the Spanish régime.

ADMINISTRATION AND FINANCE DIVISION.

The character of the work heretofore performed by the administration and finance division of the bureau having been considerably changed by the passage of Act No. 1402, October, 1905, it is recommended that its name hereafter be the administration division.

The hard-working clerks of the division have had their labors very heavily increased since May 1 last by reason of the requirements of Executive Order No. 24, hereinbefore mentioned under the head of "Pardons." This extra work has compelled the force to put in a very large amount of overtime. As usual, it has been done cheerfully.

The administrative is the real action division of the bureau, and the field it covers may best be judged by consulting the figures, among others, under the headings "Property inspection," "Distribution of Philippine Census," "Distribution of other documents," "Firearm permits," "Transportation of vagrants and destitute Americans," "Transportation of government officials and employees and Filipino students," "Pardons," and also those in Exhibit H,^a hereto attached.

TRANSLATING DIVISION.

It will be seen from the statistics given hereunder that this division has turned out a larger amount of work than last year without an increase in the office force. Considering all conditions, which have been fully described in former reports, the improvement in quantity and quality of work has been as great as could be expected. Fortunately, the majority of the force are old, experienced men, with from three to six years' practice in the division. The extraordinary labor entailed in disposing of the papers relating to records of prisoners whose cases come under the consideration of the pardon committee, already mentioned, has been performed as expeditiously as could be expected. The cases referred to often involve the translation of long court decisions, which require much time.

To estimate fairly the amount of work performed during the year it is necessary to remember that out of a force of eleven, including the chief of the division, five are principally engaged in doing work other than translating, namely, two reviewers of the Filipino and Spanish press, one stenographer and typewriter, one interpreter, and one messenger. This being the case, the standard of quality must necessarily suffer out of due regard for dispatch and economy. The consideration of economy has been uppermost in restraining me from recommending an increase in the division force, believing that so long as the inconvenience sometimes experienced from delay in translations did not become prejudicial to the service it would not justify an additional expense to the government.

The following figures relate to translations made as indicated during the nine months from October 1, 1905, to June 30, 1906:

From Spanish:	Folios.
To English	15, 926
To Tagalog and other Philippine dialects.....	318
From English:	
To Spanish.....	4, 858
To other European languages.....	7
To English:	
From German	15
From French.....	52
From Portuguese.....	2
From Cebuan	42
From Tagalog	5
From Samar dialect.....	2
	<hr/>
Total for the nine months mentioned.....	21, 227
From July 1 to September 30, 1905:	
From Spanish:	
To English	6, 032
To Tagalog and other Philippine dialects.....	39
From English:	
To Spanish.....	1, 461
To German.....	3
To English:	
From French	24
From German	1
	<hr/>
Total translations.....	28, 787

^a "Exhibit H" is on file in the War Department.

In addition to the above, the division furnished an interpreter at 185 executive sessions of the Commission, at 21 public sessions, and on numerous other occasions, both public and private, political and social. The chief of the division, Mr. Rupert D. Fergusson, was detailed as interpreter to accompany the Secretary of War and his party on the trip through the southern islands and also during the time that the Congressional delegation held hearings in Manila. He has likewise accompanied the governor-general on his visits to the provinces.

Following are the figures showing the work done in reviewing the press published in Spanish and the native tongues: During the two periods embraced by this report, 4,316 dailies, weeklies, biweeklies, and monthlies were read and reviewed, the press reports furnished the governor-general, the executive secretary, the attorney-general, and municipal board of the city of Manila amounting to 2,380 folios. This work is increasing very materially. New publications are springing up rapidly both in Manila and in the provinces. There are now published in the city of Manila 19 daily newspapers, 4 of which are American and the remainder Filipino and Spanish. There are 15 weekly, semimonthly, and monthly publications, 9 in Spanish and 6 in English. In the provinces there are 4 dailies and 12 weeklies, semimonthlies, and monthlies, only two of the latter class of publications use the English in part.

Of the total number of translations made by the division, about 2,000 folios were for other bureaus, under the reorganization act, and mostly during the past four or five months.

LEGISLATIVE DIVISION.

The chief of this division, Mr. David Lewis Cobb, has been absent in the United States on leave since March 9. On that date the work relating to the nominations, appointments, transfers, promotions, declinations, and resignations of insular and provincial officials and justices and auxiliary justices of the peace, referred to elsewhere, was transferred to the law clerk.

Since my last report Volume IV of the Public Laws, annotated, in English and Spanish, has been published and distributed. This volume contains Acts Nos. 1226 to 1383, inclusive; two acts of Congress of February 6, 1905, one providing for the issue of bonds by the government of the Philippine Islands for public works and permanent improvements, for the railway bond guaranty for the construction, maintenance, and operation of the proposed Philippine railways, and for other purposes, and the other extending certain provisions of the Revised Statutes of the United States on extradition to the Philippine Islands; the act of Congress of March 3, 1905, revising the tariff laws of the Philippine Islands; the proclamations by the governor-general announcing, respectively, the effective date of the tariff-revision law and the completion and publication of the Philippine census, and an alphabetical list of the executive orders and proclamations issued during the calendar year 1905.

The preparation of Volume V, in English and Spanish, is now under way, and it is expected that it will be published and ready for distribution before the end of the calendar year.

The annual volume of executive orders and proclamations, series of 1905, has been published and distributed. The volume for the current series will be prepared and published at the end of the calendar year.

The proof reading of all the laws enacted by the Commission, in English, and the comparison of the Spanish translations with the official copies in English, has been continued the same as heretofore; also the proof reading of the executive orders and proclamations of the governor-general.

PASSPORTS.

The work in connection with the issuance of passports is still being performed in this division. During the period covered by this report there were issued 85 passports, as follows: To citizens of the United States, 65; to citizens of the Philippine Islands, 20.

The determination of the civil rights and political status of a large number of the inhabitants of these islands, to which reference has been made in my reports for the past two years, is still pending. When the Secretary of War was here last August the matter was brought to his attention. At his direction a memorandum was prepared on the subject by this bureau, which was later incorporated in part in a memorandum on this subject, and on a proposed naturalization law for the islands prepared by the law officer of the Bureau of Insular Affairs, to accompany a bill for presentation to the Congress. It had

been hoped that favorable action by that body would have settled the anomalous condition in which many Filipinos find themselves. The bill was introduced in the Senate in April last, but was not passed. If taken up at the second session of the Fifty-ninth Congress and enacted into law it will relieve the anxiety of many Filipinos before the elections for the Philippine assembly are held.

PHILIPPINE REPORTS

On November 1, 1905, by virtue of the reorganization act, the separate office of the reporter of the decisions of the supreme court was abolished, and the work of compiling the Philippine reports was transferred to the executive bureau and assigned to the legislative division.

The work done by the legislative division in compiling these reports consists chiefly in checking the copy furnished by the supreme court with the original signed decisions; in making a list of the citations of supreme court cases; acts of the Philippine Commission, and sections of the various codes in use in the Philippine Islands and in the United States and verifying the same, and an index and list of the cases reported for insertion in the volume. The proof reading of these reports is also done in this division.

Since the work has been taken over by the executive bureau, Volume II, in English and Spanish, has been published and distributed. This volume contains all the important decisions from February 21 to November 30, 1903, and comprises 768 pages, exclusive of the index. The copy for Volume III, in English and Spanish, is now under preparation and will be hurried as much as possible. It is expected that this volume will be published and ready for distribution by January of next year. The size of Volume III will be practically the same as Volume II (about 750 pages). The work in connection with the preparation and publication of these reports has been accomplished by the regular office force and it has not been necessary to increase the personnel of the division.

The result of the transfer of this work to the executive bureau is a reduction of ₱8,500 in the cost of each edition, which consists of one volume in English and the corresponding volume in Spanish. The present output is two editions per year.

OFFICIAL GAZETTE.

The publication of the Official Gazette, in English and Spanish editions, was also taken over by this bureau November 1, 1905, in accordance with the provisions of the reorganization act (No. 1407), as stated hereinbefore, and the preparation of the copy for each issue, in English and Spanish, the making of indexes, and the proof reading were turned over to the above division. The Gazette contains all the legislative acts and all resolutions of a public nature, all executive orders and proclamations, important decisions of the supreme court, the opinions of the attorney-general, customs administrative circulars, customs-house general orders and tariff decision circulars, and such other matters as may be authorized by resolutions of the Philippine Commission from time to time. Every quarter year an index is prepared and published, the index for the last quarter being complete for the entire year.

No increase in the working force of the division has been entailed by the taking over of the Gazette, redistribution of the work and occasional assistance rendered by other divisions making it unnecessary. For the eight months from November 1, 1905, to June 30, 1906, the publication of the Spanish edition of the Official Gazette has yielded a net profit of ₱672.12, although the English edition caused a net cost of ₱4,089.44. The net cost of both publications was therefore ₱3,417.32, as against ₱14,201.42 for the same eight months of the fiscal year 1905. The net saving for the period this year is ₱10,784.10.

RECORDS DIVISION.

The work performed by this division is described in the third annual report of the chief of the same, Mr. Ed. Wettre, which appeared as Appendix F to my last annual report, and which shows its very great importance and the reliance that all the other divisions place upon it.

The following is a statement of the work performed in the division this year: New papers received and recorded, 43,919; previously recorded, received back for additional record, 34,793; total of all classes of papers mailed, 225,134.

These figures show an increase of some 30 per cent over the amount of papers handled last year, and from them a correct estimate may be had of the magnitude of the work of the division.

The volume of business has increased so much during the past year that it is now impossible to keep abreast with the current work with the same number of clerks that were used last year, the division being compelled to utilize for this purpose the clerks who revise and prepare the indexes of the past year. By so doing the current work has been kept up to date, but the compilation of the indexes has fallen behind, suffering in proportion to the increase of current work. The appreciable increase may be accounted for in part by work incidental to the taking over by this bureau of part of the work of the provincial division of the treasury, and the recording for the supervisor of land assessments, but the records and statistics show a very material increase of the general work of the division.

This increase prompted me, when the appropriation bill was under consideration, to recommend that provisions be made in the appropriation for additional clerical assistance for the division. This recommendation was based on the fact that without additional clerks the indexes of the past year could not be compiled. Too much stress can not be laid on the importance of these indexes being carefully prepared for future use when it is taken into consideration that in no other way can access be had to some 375,000 papers filed in the division. The preparation of these volumes requires much time and careful attention, and it is regretted that this important work of the division has suffered on account of insufficient clerical force.

The purchase of a fireproof safe or the erection of a vault for the purpose of storing the book records of the former military governor's office, the book indexes of the executive bureau, and confidential communications is recommended. In the event of fire there would then remain in the book indexes a brief of each communication, which would enable one to ascertain whether there had been any previous correspondence, also the bureau or office to which to apply for new copies of records if desired. This vault or safe would be valuable for keeping confidential communications, which are very frequently filed in this division and which under the present facilities for handling such communications are placed in the files in the same manner as ordinary communications except that they are inclosed in sealed envelopes. The importance of having such a receptacle for the preservation of the book records of the military governor may in a measure be realized and the value of these books judged from the fact that they contain evidence in the cases of claims against the government, copies of various Spanish concessions, correspondence between the military and church authorities regarding the alleged ownership by the latter of considerable real estate, etc. During the last year on at least two occasions data from these records were furnished which enabled the War Department to dispose of claims involving several thousands of dollars.

I would emphasize here again the necessity for making every effort to retain experienced employees in the division. Experience has demonstrated that an employee who serves two or three years and becomes familiar with the different kinds of work of the division is far more valuable than a new appointee. It has been observed that with the work pertaining to this division an employee is seldom familiar in less than one year after the date of entering it, and it is thought that any course that does not seek to retain employees experienced and familiar with the work, even though it requires more salary, is false economy in the end. Results are the ends desired, and it is quite clear that these can be attained more readily by trained men.

The chief of the division states that he finds no small degree of pleasure in the fact that a decided improvement in the use of the English language has occurred among the Filipino clerks during the last year, thereby making them more valuable assistants in the work to which they are assigned.

LOCUST PLAGUE.

The reports from the provinces visited by this yearly recurring pest show that during the past twelve months the destructive insect has been much more active than last year, although considerably less than in 1904. The eighteen provinces reporting the appearance of locusts were Bataan, Bohol, Bulacan, Ilocos Norte, Ilocos Sur, Iloilo, La Laguna, Leyte, Moro, Occidental Negros, Neuva Ecija, Neuva Vizcaya, Pampanga, Pangasinan, Rizal, Sorsogon, Tarlac, and Tayabas.

Only 13 provinces, however, have forwarded reports as to the destruction of locusts. These are as follows:

Provinces.	Pounds.	Provinces.	Pounds.
Bohol.....	342,295	Pampanga.....	871,565
Bulacan	998,859	Pangasinan	71,400
Ilocos Norte	509,198	Rizal	2,720
Ilocos Sur.....	19,813	Tarlac.....	753,056
La Laguna.....	17,483	Tayabas	9,180
Leyte	3,600		
Nueva Ecija	426,504	Total	4,174,298
Nueva Vizcaya	149,175		

Which equals 2,087 tons, 2 hundredweight, and 98 pounds. This shows an increase of nearly 3,000,000 pounds over last year's destruction.

PROVINCIAL AND MUNICIPAL GOVERNMENTS.

The only change in the political subdivisions of the islands since my last report was that foreshadowed in it. On November 23, 1905, the Philippine Commission passed Act No. 1413 annexing the province of Masbate to that of Sorsogon, to be known as the subprovince of Masbate; amending Act No. 74 as amended, by making the provisions of Albay and Sorsogon separate school districts, and for other purposes. This reduced the number of provinces from 39 to 38. The act cancels the loan of \$2,500 United States currency, made by the insular government to Masbate. It also provides that 70 per cent of all taxes, imposts, or fines collected in behalf of the province of Sorsogon, in the subprovince of Masbate, shall remain in the treasury of the latter for the sole use and benefit of the inhabitants thereof, the remaining 30 per cent to inure to the general funds of the province of Sorsogon. The funds provided for the subprovince of Masbate are to be expended by resolution of the provincial board of Sorsogon. The salaries of the provincial governor, secretary, treasurer, and fiscal of Sorsogon are increased. The act also created the office of lieutenant-governor for the subprovince, and with respect to all of its provisions, save one, went into effect on January 1, 1906.

Since my last report the number of organized municipalities of the islands has been increased by two, being (exclusive of the Moro Province) 599. There are 15 municipalities organized under the municipal code of the Moro Province, making a total of 614. Besides these there are 65 townships and 188 rancherías, or settlements, which gives a grand total of 867 minor political subdivisions for the whole archipelago.

In view of the recent clamor for "immediate" and "urgent" independence, and the springing up, principally in Manila, of so-called political parties having one or the other of these ends for a shibboleth, it may not be inappropriate here to cast a glance over the field and learn what advances, if any, have been made in the exercise of local autonomy in the past five years.

References have been made already under other heads to the use and misuse of the franchise. Much of the misuse is due, naturally, to the ignorance of the masses. Nevertheless, that the exercise of the right of suffrage is eagerly sought is shown by the fact that in nearly every province a large number of citizens who are ineligible as electors endeavor to get on the poll lists at every municipal election. Indeed, in at least one northern province, according to the Filipino provincial governor, many Filipinos who are ineligible under every qualification, get themselves enrolled under the property qualification (i. e., "those who own real property to the value of ₱500 * * *"), by declaring their holdings to be worth that amount, when in reality they are worth much less.

It would seem that with the franchise in the hands of the educated, the property owners and former officeholders, the men elected to control municipal affairs would be representative men. But what are the facts? The Filipino governor of a northern province recently said to me in a moment of desperation: "One-half the councillors of my province can not write, and 15 per cent of them do not know their rights or duties." Three other native provincial governors have expressed themselves within the past three months in a similar strain.

Another provincial governor in an official communication reporting the vacillating and capricious acts of a municipal council, all to the detriment of the

interests of the taxpayers, says: "The question presents itself as to which would be the quickest, fairest, kindest way to drive home to our people here, whose welfare we have so much at heart, the truths of self-government. To leave them struggling in deep water, suffering from their own foolish acts, and learning from bitter experience the fruits of weakness and folly, or to go back to a working basis now and gradually increase their autonomy as they become more enlightened and educated?"

In another official communication this same governor, referring to the same municipal council, that had acted in a most arbitrary and illegal manner in the matter of a contract, reports that in the course of his remarks at a session of the council he was compelled to say to the members:

"It is not the bandits of the hills, like ——— and ———, who constitute the real menace to the future of your people and stand most in the way of the realization of your ambitions, but men of intelligence like you, who, having been given a little authority, prove themselves to be only weak and foolish."

And still another Filipino governor, quoted herein under "Reports of provincial governors," states that the candidates for municipal office are the tools of the local boss and that it is "truly sad to have to deny the existence of sane intelligence in the province."

One of the best illustrations of how things are done in the municipalities is the following:

As one of the grounds of protest made to the governor-general against the confirmation of the election held on February 5 last to select a provincial governor for the province of Oriental Negros, it was charged that many municipal councilors voted thereat who did not possess the qualifications required by law of municipal officers, it being alleged that some were under age, others delinquent in the payment of their taxes, and that still others were unable to read and write.

On May 8, 1906, the governor-general directed the provincial board to investigate the matter thoroughly and report the facts. The investigation ordered was duly held, and the provincial board reported the results thereof to the office. It was found that 4 councilors (vice-presidents are included when councilors are spoken of, since they are ex officio councilors) did not possess the necessary qualifications at the time when they entered upon the discharge of the duties of their offices, because they could not read and write; 2 because they were under age; 82 because they were tax delinquents; 2 because they were not only unable to read and write, but were also tax delinquents; and 2 others because they were not only under age, but delinquent in the payment of their taxes also. It will thus be seen that a total of 92 councilors lacked the necessary qualifications at the time of taking office. Of those disqualified merely because they had failed to pay their taxes, 47 paid them before the date of the investigation by the provincial board, but not before assuming office, which left 45 lacking the necessary qualifications at said time.

When it is considered that in the whole province of Oriental Negros there are only 157 councilors, including vice-presidents, the significance of the above figures becomes apparent. That 92 out of a total of 157 (about 59 per cent) of the councilors elected lacked the necessary qualifications shows a truly deplorable condition of affairs in that province, made worse by their being allowed to qualify and assume office. No protests were made against their election, and the provincial board, whose duty it is to pass upon the legality of municipal elections, confirmed the elections at which they were chosen. The law existing at the time did not specifically require provincial boards to inquire into the qualifications of persons elected unless protests were made. In fact, it was so worded as to cause some of them to doubt whether they had authority so to do. Hence the confirmation of the elections in Oriental Negros by the provincial board thereof excites little wonder as compared with that excited by the fact that all of the disqualified persons above mentioned were willing to and actually did take an oath of office in which each solemnly swore that he had the prescribed qualifications to hold office in his municipality. This fact can only be explained on the ground of dense ignorance, gross negligence, or willful and deliberate perjury. The provincial board ascribes it to negligence, recommending that "in view of the fact that the majority of the councilors of the province committed this irregularity, no action be taken against them for the crime of perjury, as the investigations held have shown that they did not act in bad faith, but only negligently." In a province where such negligence

abounds, it is indeed difficult to understand how good autonomous government can be expected.

This disgraceful condition of affairs in Oriental Negros, and the cases of Ili, Albay, and Malabon, Rizal, previously cited, naturally bring up the question whether like conditions exist in still other provinces, or whether the trouble is merely local. I am unable to answer the question for lack of data, but it certainly was not local in Oriental Negros. So general was it there that in only 2 of the 14 municipalities of the province were all of the officers qualified. In 2 of them all the members of the municipal council were found to have been ineligible when they qualified; in 6, a majority of them; and in another, one-half of them.

The condition of affairs above depicted is so serious that it has been brought to the attention of the Philippine Commission by the governor-general, recommending legislation to meet it. The existing law provides no administrative method of ousting an officer for ineligibility whose election has been confirmed and who has taken his seat; the courts being the only resort, and they are necessarily slow.

The proposed election law, elsewhere referred to herein, contains provisions which, if enacted, it is hoped will prevent such situation.

In connection with the subject treated of under this head, my attention has been drawn to a statement contained in Appendix D to the very able, interesting, and instructive report of the governor of Cebu, Hon. Sergio Osmeña. The appendix is a memorial addressed to the Congress of the United States and the Philippine Commission by the prominent officials and other citizens of the province of Cebu praying for reforms in the administration, economy, a larger participation of Filipinos in the government, the fixing by Congress of the political status of the islands, etc. The statement is as follows:

" * * * but it is sufficient to say that no justice of the supreme court, judge of first instance, provincial governor, nor provincial secretary, a Filipino, has been dismissed from office up to the present." (August, 1905.)

I do not doubt that the statement was made in absolute good faith, although in ignorance of the facts. But as I have the records at hand, I feel I can not allow it to go unchallenged in so far as relates to all but the first named. For obvious reasons the government has acted on the theory that Filipino officials ought not to be as yet and they have not been held up to the standards required of Americans.

This is not to be taken as casting the slightest reflection upon the Filipinos. It is but simple justice to say that in the very large majority of cases they have displayed a loyalty, zeal, and capacity in the discharge of their duties that has robbed their detractors of ammunition and won the praise of the superior authorities. For this reason removals among the officials referred to have been few, and where they have been charged with acts that if committed by Americans would have incurred dismissal, they have been requested to resign.

Our records show that one Filipino judge of the first instance, charged with delay in the conduct of court business, partiality, arbitrariness, and unfairness, was advised to resign, which he did in 1903.

One Filipino provincial governor, charged with neglect of duty and repeated acts of adultery, was requested to resign in 1903. He complied. In the same year a Filipino provincial secretary was removed, after investigation, on criminal charges. In 1902 another provincial secretary resigned by request. In 1903 two others resigned by request, under charges of incompetency and disobedience of orders of the provincial governor in one case, and of corrupt, criminal conduct in the other. In 1904 still another resigned, under charges of being addicted to opium, neglect of duty, and adultery, and in 1905, the sixth provincial secretary resigned by request, charged with incompetency. In 1901, very shortly after his appointment, another provincial secretary vacated his office to serve a sentence of ten years' imprisonment under a charge of cattle stealing.

Although not mentioned in the statement quoted, there were two provincial fiscals removed in the year 1901, one for incompetency and the other for drunkenness. In 1902, two more resigned under charges, one of disloyalty, failure to prosecute certain prisoners, and acting as counsel for the defense, instead of for the prosecution, and the other for unsatisfactory services. In 1903 a fourth fiscal was requested to resign and complied, for unsatisfactory conduct of office.

All of the above officials were Filipinos. It is not a bad record; it is a very fair one.

REPORTS OF PROVINCIAL GOVERNORS.

The reports of the provincial governors (hereto annexed as Exhibit I) submitted to the governor-general pursuant to the provisions of Act No. 1044, and in accordance with the detailed instructions contained in a circular letter of this office dated June 9, 1906, contain some valuable information and useful recommendations, and are a distinct improvement over similar reports submitted in previous years. Taken as a whole they reveal increased efficiency in provincial and municipal administration and an earnest desire on the part of the authorities to improve existing conditions. In this, with few exceptions, they are supported by the moral and material assistance of the people, as is evidenced by their voluntary contributions in money and labor to the construction and repair of roads, bridges, and public buildings, and the free assistance given in the extermination of agricultural pests.

Though political rivalries and dissension, especially in municipal elections, have aroused considerable excitement and called forth many protests in nearly all of the provinces they have in no case led to a serious disturbance of the public order. The action of the provincial board in the settlement of these factional disputes has been sufficient to remove discord and restore harmony in most instances. Indeed, one of the most encouraging features of these reports is the evidence they furnish of the harmonious relations existing between all of the authorities, insular, provincial, and municipal; witness the unstinted praise of the constabulary and the grateful acknowledgment of the value of its services made by every provincial governor who has alluded to the matter. In this respect this year's reports furnish a strong contrast to many former ones.

RELATIONS BETWEEN PROVINCIAL AND MUNICIPAL AUTHORITIES.

As to the relations between the municipal and provincial authorities, a better understanding of their respective powers and duties and of their interdependence has been established largely through the activity of provincial governors in making frequent inspections of the municipalities, one provincial governor recently elected to office attributing the present maladministration of the municipalities of his province to the failure of his predecessor to make regular visits of inspection, and expressing confidence that his personal supervision will do much to improve conditions in this respect.

In the province of Cebu a system of inspecting the municipalities has been inaugurated which has given the most satisfactory results both as regards inspection and the investigation of complaints against municipal officials. As the plan referred to expedites the action of the provincial board in all such cases and promptly removes one fruitful source of discontent, its adoption by other provinces would seem advisable. Attention is therefore invited to the report of the provincial governor of Cebu.

The relations between provincial officials and the success of their administration are characterized as excellent in all of the reports. This, however, does not apply to the financial condition of quite a number of the provinces, as will presently appear. Over half of the provincial governors report the municipal administration of the towns in their provinces as good; the balance qualify it as fair, except in two of the provinces where it is frankly admitted to be bad owing to the evil influence of local caciques over incapable municipal officials, and to the lack of proper inspection by the provincial governor.

CONDITIONS AS TO PEACE AND ORDER.

It is most reassuring to learn that the conditions as to peace and good order are satisfactory, or have improved greatly in most of the provinces; that crime, especially cattle stealing, has decreased in a marked degree (attributed by some governors as mainly due to the efforts of the constabulary), and that where unrest and disaffection still exist there is a tendency toward better conditions. The governor of Tayabas, for instance, says: "Never has the province of Tayabas enjoyed such peace and tranquillity as during the past fiscal year. Public order has not been disturbed in any municipality or barrio."

The governors of Pampanga, Bulacan, Nueva Ecija, Tarlac, Cavite, and Tayabas in Luzon and Occidental Negros, Oriental Negros, Bohol, Leyte, and Samar in the Visayas, report the presence of fanatical sects and oathbound societies in their respective provinces. The character of these associations needs no com-

ment here, but as their influence has been of such evil consequences to the people at large, especially to the industrious and long-suffering agriculturist, it may be of interest to quote what some of the provincial governors have to say about them:

Cavite.—"A religious organization known as the 'Kolorum' has gained a strong foothold about Bacoar and Cavite Viejo. I view the rapid augmentation of this fanatical order with distrust and have taken steps to have its doings carefully checked and watched."

Bulacan.—The governor of this province comments upon the raid of the constabulary barracks at Malolos on April 15 by followers of Felipe Salvador, the leader of the Santa Iglesia fanatics, as follows: "General indignation was felt throughout the province, followed by emphatic protests against so iniquitous an act—protests which characterized the perpetrators of the deed as traitors and enemies of the fatherland. The event gave rise to a convention of municipal presidents which passed a resolution recommending that the honorable Philippine Commission enact a law declaring the so-called Santa Iglesia association, to which these crazy fanatics belong, both unlawful and seditious."

Nueva Ecija.—The governor, referring to the same organization, says: "This fanatical sect has made a good many proselytes in the outlying barrios and places bordering on the forests of this province. It is quite possible, considering the ignorance of the inhabitants of these places, that their fear of the danger they would run in denouncing [the presence of] the sect [in their vicinity] to a certain extent compels them to be taciturn and reserved in the presence of the authorities; and undoubtedly it is due to this fact that the 'Apong Ipe' (Salvador), according to reports received by this government, has made raids on this province."

Pampanga.—"It is also a well-known fact that certain members of Felipe Salvador's band * * * are roaming in the hills and mountains and hiding from the constabulary that are constantly on their trail. * * * Though some of these people have been caught, it is none the less true and regrettable that the inhabitants of the barrios and places frequented by Felipe Salvador's people do not volunteer information of their presence to the authorities. When asked why they do not furnish such information these inhabitants, who are rude, ignorant, and superstitious folk, deny having seen or heard anything, which is not surprising considering their belief that the giving of such information is a sin, as they believe Felipe Salvador to be surrounded by a halo of sanctity."

Tayabas.—The Kolorum, a fanatical sect whose existence dates from the time of the Spanish Government, is reputed to be losing ground. "There are still, however," says the governor, "some hundreds of persons affiliated to this sect who from time to time assemble in the San Cristobal Mountains to devote themselves to religious practices."

The state of affairs in Bohol is reported as somewhat different. Here it is a case, according to the provincial governor, of " * * * the work of certain persons belonging to a group of discontented ex-insurgents who, under the pretext of protecting the rights of their fellow-citizens against the vexations that might be caused them by the authorities, and for the purpose of concocting cabals, have formed a sort of party among some of the residents of Dimlao, Valencia, Carmen, Bilar, Sevilla, Loboc, Garcia Hernandez, and Jagna, the true purpose of which I have not yet been able to find out, though the presumption is that one of its ends is to exploit the ignorance and gullelessness of the people. They avail themselves of peaceful means and soft words to attract the people to their ranks, and once the latter are members of the party they have contracted an obligation to obey all orders of the leaders and faithfully to continue forever after members of the party on pain of death. In view of this terrible menace persons tiring of the party and wishing to leave it desert by emigrating to other provinces. * * * One of the promises held out by the leaders to entice the unwary and ignorant whom they wish to attract to the party, was the assurance that from the moment of their association they would be exempt from all obligations to the municipality. This gave rise to a disturbance which would have become an uprising against the municipal authorities of Dimlao had it not been for my timely intervention."

Attention is invited to this interesting report detailing the sequel to the above, which happily for law and order terminated in the arrest of the ringleaders and a large number of their dupes.

CACIQUISM.

Five of the reports deal at some length with the question of caciquism. Fortunately its influence appears to be on the wane.

La Union reports that the pernicious effects of caciquism are disappearing with the advance of education and enlightenment.

Tarlac says: "Caciquism is vanishing by the efforts of the inhabitants themselves; * * * Its disappearance is due to the maintenance of order in this province, though it must be admitted that the patriotic labor of the municipal presidents and of the people has contributed not a little to this end. Nor must I forget the noble constabulary organization, for which I have nothing but praise."

The governor of Isabela states that candidates for municipal office are but the protégés of the local cacique, and that it is "truly sad to have to deny the existence of sane intelligence in the province." He is, however, optimistic as to the future, believing that pernicious customs now existing will have disappeared by 1908 and that young men of advanced ideas, now relegated to the background in matters political, will then come to the front, and that by that time the inhabitants will have learned their lesson sufficiently well to entitle them to the franchise. It will be recalled in this connection that under authority of Act No. 1043, the then acting civil governor, on January 27, 1904, issued an executive order stating that the conditions in the "provinces of Cavite and Isabela are such as to render it unwise and inimical to the public interest to hold gubernatorial elections therein * * * until further order."

From the report for Nueva Ecija it is learned that "although caciquism is still a deep-rooted institution, the political conditions of Nueva Ecija during the fiscal year have shown a tendency to improve. The majority of the people are learning their rights and the parasite on the social organism tends to disappear."

Although the governor of Cavite does not mention caciquism in his report, he says: "Conditions have made it easy for some of the chiefs of the last revolution and other leaders to convince the people that the American administration of affairs is the cause of all their ills and that independence is the panacea that will cure all. * * * This province is for independence. All of its people want independence. Its leaders have initiated two revolutions. Its inhabitants are proud of this fact. Independence has two meanings here. To the chiefs or headmen it means unrestrained power over their fellow-citizens—that they will be independent to make the tao dependent. Independence is desired by the rest of the people because they have been convinced that in it lies the remedy for all their present ills. This sentiment for independence is what has enabled the ladrone chiefs to recruit their bands and to retain the support of the people."

None of the other governors express opinions in any way similar to the above with regard to the inhabitants of their provinces or to the nature of the influence exercised by leading men. In fact, it is gratifying to state that they have unanimously expressed their belief that the people are content with the present form of government and are more interested in their economic than in their political future. With the exception of the reports mentioned, all others have either remained silent on the subject of caciquism or spoken of it as a negligible factor in the political situation.

POLITICAL AND RELIGIOUS FACTIONS.

Twelve reports comment upon religious and political factions.

Occidental Negros says that the "directing class has split up into factions;" that these factions instead of supporting men in authority use every surreptitious means to pull them down, and that as governor of the province he has often tried to bring the factions together by granting them equal participation in the administration, adding that "my attempts have not brought forth the desired result, and my action has been taken as an evidence of weakness and cowardice."

In the province of Antique it is reported that the "sharp antagonism formerly existing between the Roman Catholics and the Aglipayans has disappeared," and that the municipal elections were kept free from religious influence, with the exception of one case where an ecclesiastical candidate was elected. "However," the governor remarks, "there are ecclesiastics who took more interest in the elections than in their church."

The provincial governor of Albay reports at length upon the municipal or provincial elections, and under the caption of "political conditions" gives information regarding those in his province which indicates the existence of strong political factions, though but one election in twenty-seven gave rise to the charge of fraud.

The governor of La Union says that the protest filed with the provincial board against the municipal elections, with few exceptions, have been found, upon investigation, to be based upon trivial grounds and but the result of factional feeling.

That political contentions and religious differences are less in evidence than formerly and that "it will not be long before the strained relations between Romans and Aglipayans will disappear" is the encouraging news from Oriental Negros.

Pampanga reports "the existence of a considerable number of families affiliated with the religious sect entitled 'Guardias de Honor,' who are suspected of being connected with the so-called Santa Iglesia or Salvadoristas."

"In spite of the fact that the province contains some protestant ministers, one Aglipayan priest, and many curates of the Roman church, up to the present time there has been no friction," says the governor of Capiz, who adds that all political factions gave evidence of good sense in the municipal elections, only one of which was annulled by the provincial board.

The governor of Ilocos Norte reports that the people of his province take little interest in politics, and that the last elections, though closely contested, were conducted in a lawful and orderly manner.

Some political unrest and considerable factional activity is reported from Isabela, which the governor attributes to the agitation of ambitious local politicians. He refers to two of the factions as cordially hating one another and of being "vain enough to think that they can elect their candidate to the office of provincial governor." He also deplores the noteworthy fact that the people of his province "look upon the preservation of the interests of the church and clergy as one of their most sacred obligations, and accordingly furnish them with everything they need, erecting convents and chapels before municipal buildings, which should be first in the consideration of every people."

The reports, as a whole, show that there is less factional strife than formerly and that there is now more religious tolerance than in the past.

ECONOMIC AND FINANCIAL CONDITIONS.

The economic and financial conditions of the provinces also appear to have improved over last year. In the majority of them, however, the former are reported as either poor or relatively fair. As to financial conditions, five of the provinces complain that they are poor. There has been, in obedience to suggestions from the office, general retrenchment in expenses, principally in reducing the number of employees or cutting down salaries. Still, about half of the provinces report that they are in good financial condition; some of them say "excellent."

Giving no details, the Bataan report says that the province "has been going down grade financially to such an extent that it was obliged to apply to the Insular government for a loan of ₱6,000 in order to be able to pay the salaries of its employees and to meet other indispensable expenditures, such * * * as the repair of provincial buildings destroyed or damaged by the storm of September 26, 1905."

Although the financial condition of the province of Pangasinan is reported satisfactory, the governor says that some of the municipalities have had a hard time to make both ends meet, and that in order to carry out improvements, including repair and construction of public buildings, the municipalities were obliged to have recourse to voluntary contributions from wealthy residents.

The governor of Cavite, speaking of economic conditions, says that the people of that province have been reduced to a deplorable state as "a result of the last revolution, loss of draft animals, locusts, cholera, and the rigorous, but necessary, measures taken by the government to stamp out brigandage." A considerable amount of money is disbursed for wages at the port of Cavite, where from 500 to 700 laborers are employed by the two shipyards at Cañacao and over 3,000 at the United States naval station. The latter receive from ₱0.50 per day for apprentices to ₱5.50 per day for skilled workmen. Financially the pro-

vincial government of Cavite will be hard pressed during the first six months of 1907, as the land tax will not be collectible until June or August, 1907, and the internal-revenue refund is withheld from it to discharge its obligations to the various bureaus of the insular government.

In the province of Occidental Negros the conditions are said to be worse than five years ago. Delinquent land taxes amount to nearly ₱95,000. The provincial treasury, however, is in good condition.

As to Albay, the requirements for economic prosperity are set forth at length in the governor's report, which will repay careful reading. This province is indebted to the insular government in the sum of ₱125,000. The total cash balances on hand on June 30, 1906, amounted to ₱90,882.43 and Pfs. 3,215.70.

Owing to famine conditions in Cebu from May to August, the insular government was obliged to come to its assistance. The province now owes the latter ₱85,000, but it has a larger balance on hand this year than last.

Had it not been for the fire which destroyed its fine provincial building and contents last March, the province of Tarlac would not now be indebted to the insular government, as its finances have heretofore been in a flourishing condition. The same remark applies to its municipalities.

The province of Zambales has had a hard struggle for existence. Only by the strictest economy has it been self-supporting. Its salary list has been cut almost in half in three years. At the end of the fiscal year, however, it had a balance of about ₱5,900. With the exception of its scant revenues, office furniture, and "a fine, large jail, capable of accommodating 250 prisoners," the province has no other income or property of any sort.

The governor of La Laguna reports the municipal treasury balances of this year as showing a large increase, amounting to 33½ per cent, as compared with last year.

In all of the other provinces financial conditions have been, if not prosperous in all cases, at least sufficiently so to meet expenses and provide for some improvements. But the general condition, from an economic standpoint, of the people of the archipelago is far from prosperous, owing to agricultural depression existing in nearly every province, as will appear from the survey of agricultural conditions hereinafter to follow.

NONCHRISTIAN TRIBES.

The governors of the following provinces have reported the existence of the so-called non-Christian tribes within their respective jurisdictions: Antique, Bataan, Benguet, Capiz, Ilocos Norte, Ilocos Sur, Abra, Ilollo, Isabela, Lepanto-Bontoc, Mindoro, Misamis, Nueva Ecija, Nueva Vizcaya, Oriental Negros, Palawan, Surigao, Tarlac, Union, Tayabas, Zambales. This list does not include some provinces where there are non-Christian tribes, no mention having been made of them by the governors' reports under review.

Cavite reports that some thirty years ago there were a few families of hill people called Banluga living near Maragondon; they were later converted to Christianity and now live in a sitio called "Caltaco."

In Antique no new settlements have been organized this year, although a provisional settlement of 176 Aetas has been made as an experiment. The three settlements organized last year have become permanent in a way, agriculture having been started on the *cañigín* system. Some houses have also been built. The children in one of the settlements are attending school when not prevented by their parents, who have a strange superstition leading them to believe that "as their ancestors could neither read nor write they should make no attempt to do so if they wish to avoid some misfortune or calamity." In the settlement referred to about a dozen boys and girls attend the school, which is kept by a Visayan schoolmistress, paid 1 cavan of palay a year for her work. The governor reports that he fears that the great majority of the residents of the settlements would be capable of leaving if "an official teacher and a stranger to their customs were to be sent there." His reports as to the agricultural labors of these people is more encouraging, as he remarks: "In addition to the planting of food crops the inhabitants have set out candle-nut trees and hemp in their *cañigíns*, some of them having gathered over a hundred cavans of rice from the last harvest." "Besides this," he adds, "they have erected houses in place of their huts, the settlement of Badiangan having now a municipal building of strong materials." The governor expresses the belief "that it would be a good idea under present conditions to reserve a certain area of land, say

from 3 to 5 miles, around each settlement for the use and benefit of its non-Christian inhabitants, and to divide the same into as many lots as there are families, in order that each family may have its own plot to cultivate, and, finally, that the land so distributed shall enjoy the same exemptions as homesteads."

In the province of Bataan conditions are reported as follows: "Non-Christian tribes of Negritos or Aetas, the only wild tribes here known, are distributed in all or nearly all the pueblos throughout this province. The type of individual composing said tribes is very well known. Of small stature, black skin, short and very kinky hair, and regular though well-pronounced features, these people wander about, almost naked, in nomadic groups through the interior in the hills and forests. They are, as a general rule, inoffensive, complaisant, and submissive, but entirely refractory to social civilized life within inhabited places."

As to Benguet, a province whose inhabitants are mostly Igorot, reference is made to the report of the provincial governor.

In Capiz the number of non-Christians living in the mountains bordering on the provinces of Iloilo and Antique is given as 6,000. They live in groups rather than settlements, but cultivate the ground and keep up a small trade with neighboring pueblos. They are described as vindictive when wronged, but as grateful for favors received. "Some of these people * * * are baptized and pay the cedula tax." There is also a small group of Negritos, 30 in number, living on the island of Buracay, district of Buruanga. They are very peaceable and are engaged in the manufacture of barotos or bancas under the direction of native Christians.

The report of the governor of Ilocos Norte, where 12 settlements or colonies of non-Christians have been reorganized under Act No. 1397, shows that 9 of them "are almost assimilated with the Christian pueblos in their manner of dress, although this is hardly true of the women. * * * They live in groups of houses built of light materials and of boards, the latter being constructed by carpenters from the Christian pueblos in return for payment. Their principal food is rice, vegetables, fish, and meat, and they have some liking for liquor. They till the soil, cultivating rice, corn, red beans, and other vegetables. They cut cane in the mountains, hunt deer and the wild hog, make baskets, mats, large wooden platters, utensils for washing clothes, gather the products of the labor of the bee to get the honey and the wax, as well as medicinal roots and herbs, taking all of these things to the Christian pueblos for trade, buying in return textiles, crockery, and other articles for use and adornment. It is true that they are not as yet very industrious, owing to the paucity of their needs and lack of education, but they are capable of advancement. They are peaceable, hospitable, and law-abiding, and slavery no longer exists among them. They are very moral. A few of them can read and write the Ilocan dialect and also speak and understand Spanish. Many having children of school age send them to the nearest municipal school, and there is at Laoag one student from the colony of Garnaden who is quite advanced. They have gladly accepted their new political organization and show a great desire to progress, though they are not willing to be consolidated with the Christian pueblos, even when of the same scale of civilization. At present they pay no taxes to the state except for the registration of cattle in accordance with the law. The only other source of revenue, if any, must come from small fines imposed for infractions of their ordinances. * * * The inhabitants of the three other colonies are less capable and enlightened than the ones above mentioned. They go almost naked, and there is a suspicion that some of them still preserve the inhuman custom and sanguinary instinct of killing any person they find in isolated places when influenced thereto by their belief in spirit propitiation."

As the subprovince of Abra is largely inhabited by non-Christian tribes the report of the lieutenant-governor is too long to quote here, dealing, as it does, with the conditions prevailing among a population containing over 22,000 non-Christians organized into 8 townships and no less than 69 settlements. Attention is therefore invited to that report.

The governor of Iloilo reports quite a number of non-Christian tribes in his province, some members of which have been sentenced by the court of first instance for complicity in brigandage during the past year. Others have left the hills and are now forming barrios in the lowlands. Very little has been done to organize them into settlements, however, the work just having been started. None of the Aetas have been implicated in unlawful acts, as they seldom leave

the mountains, where they lead a nomadic life. On the rare occasions that they descend to the plain they are led to do so merely for the purpose of seeking alms.

In Isabela there are 10 settlements, each containing from 6 to 8 barrios. There are many groups of Negritos, but as the race has no future little attention is paid to them. Those in settlements are being educated in schools, have constructed public buildings, and are doing their share of work on the public roads. During the past year three non-Christians graduated from the provincial school. Classes for them have been reopened, and an increased attendance is expected. The people of the settlements of Butigui and Guinabual have voluntarily offered their services on the Lepanto-Bontoc road. When Secretary Worcester offered the people of Cabatuan funds for the improvement of their tribunales they would not accept, saying that the government "should use that money for other things that they themselves can not make." The custom of killing people of other settlements is gradually disappearing.

Attention is also specially invited to the interesting report of the governor of Lepanto-Bontoc, which province is principally inhabited by the Igorots, that are described as essentially an agricultural people who devote their entire energies to the cultivation of the soil, and whose activity in terracing steep mountain sides for rice culture wherever they can get water for irrigation is well known. Where they can not irrigate they raise corn, camotes, and other vegetables. The amount of land under cultivation last year exceeded that of any previous year. A time-honored custom of these people is head-hunting, though they are said to be very tractable.

Another interesting report to which attention is invited is that of the governor of Mindoro, which announces considerable growth in some of the Mangyan settlements. "The settlement of these little people at Lauigan has grown considerably during the year and now boast five carabao. They have planted rice, corn, camotes, and about 300 cocoanut trees. The males have employment cutting firewood for a Spaniard, who treats them liberally and from whom they derived quite a revenue, not cash, but clothing, bolos, axes, rice, and household furnishings." The settlement at Banganay has a school with an enrollment of 17 boys. The governor goes on to say that "no books are used in this work, but they are acquiring a working knowledge of English, and are learning to make nlpa shingles, sinamay, and last, but not least, have learned that an occasional bath is good for the body if not for the soul."

It is learned that in Misamis a considerable portion of the interior population is made up of the so-called "bukidnon," or hill people. They live in small settlements and have hardly any notions of civilized life. Smaller and weaker than civilized Filipinos, they are docile and peaceable, law-abiding, and amenable to civilization. They consist of two main divisions: The semicivilized, living in the eastern angle of the province, who have adopted civilized dress, live in houses, and use articles like the sewing machine, kerosene lamps, and, among the well to do, even knives and forks; and the less civilized but tractable inhabitants of the hills back of the pueblo of Cagayan. Their townships are under the direct control of the provincial governor, who has power to name their officials, though a certain degree of autonomy is given them, in proportion to their importance and capacity, in the election of their officials. Each township has its own police force, serving without remuneration. The more civilized are in favor of a system of taxation, while the less civilized are opposed to it. Their resources are hemp, corn, rice, sweet potatoes, bananas, coffee, rattan, and wax. Nearly all of the coffee exported from the province is raised by bukidnon. The revenues from Act No. 1147, providing for the registration and branding of cattle, brought in ₱743 from these people.

From Nueva Ecija are reported two settlements of Tingulanes and scattered groups of Negritos (called also "Balugas"), and Igorot and Ilongot. Of the first named there are 202, nearly all of whom have been converted to Christianity, have schools for the study of English, elect their own officials, have a volunteer police force, and cultivate rice, corn, sweet potatoes, and yams. The Negritos are found in four pueblos and are peaceable, but refractory to civilizations. The Igorot and Ilongot live in the mountain regions of Carranglang. The former are amenable to civilization and come into the towns to barter their wares. They cultivate coffee, beans, rice, cabbage, sweet potatoes, and yams, and also devote much time to hunting and fishing.

The report of the governor of Nueva Viscaya shows a non-Christian population of nearly if not quite 100,000 Igorot and 1,000 Ibilao. The former inhabit

the northern hills. Two industrial schools are being constructed with Igorot labor. A uniformed Igorot police force is in contemplation. It is also planned to construct a water-power sawmill on the slope of Mount Polls, to be used in connection with the industrial school at Banaue. All these improvements are to be made from internal-revenue funds assigned to township and settlement work. The Ibilao live in the inaccessible fastnesses of the mountains, are very refractory to civilization, and are believed to be rapidly decreasing in number.

From Palawan it is reported that all Mohammedan and pagan tribes are peaceful. Aside from Moro tribes of the south, the only pagan tribe worth mentioning is the Tagbanua, a large percentage of whose members read and write their primitive language in the original phonetic characters. Every encouragement is given them to address their communications to the Government in this language. The non-Christian settlements are being educated in industry, trades, and agriculture, as well as books.

In the interior of Surigao, it is learned from the governor's report, there are Manobos, Mandayas, and Mamanuas. These tribes sustain few relations with their Christian neighbors. The first two mentioned are industrious; the last named hostile to work, and nomadic.

In the province of Tarlac the Negritos have been organized into special municipalities. Excepting those in Camiling, who live a life of savagery, they are semicivilized, living in houses, wearing clothes, and many of them are baptized Catholics. They are for the most part desirous of an education, and it is hoped that facilities will be furnished them for learning at least to read and write. They cultivate rice, tubers, and other vegetables sufficient for their own use, and are given to fishing and hunting.

The governor of La Union writes that there are 31 townships with 10,000 non-Christian inhabitants in his province. However, he states that of this number 1,000 were converted to Christianity some time ago, while there are also 2,500 neophytes. By Act No. 1403 their people were recently placed under the jurisdiction of the governors of Benguet and Lepanto-Bontoc, notwithstanding the fact that they have maintained trade relations with the pueblos of La Union and still continue to do so.

The report from the governor of Zambales is very interesting as regards non-Christian tribes. There are small scattered groups of Negritos throughout eleven barrios of this province. Each group recognizes as chief the oldest man, "whose orders and decisions are respected and obeyed as if coming from a sovereign power," to quote the language of the report, which goes on to say that: "These tribes, or groups, are formed by families of aborigines of this archipelago belonging to the Aeta or Negrito race, known in Zambales under the name of 'Abunlon,' but of the less savage, who do not flee from the presence nor reject the commercial advances of civilized people. They live by the chase, a little by agriculture, and also by gathering wild fruit in the mountains. They often come down to the pueblos for the purpose of bartering their products for things they need. The Abunlon, properly so called, are the Negritos that have not yet been brought under the influences of civilization. They live in the innermost recesses of the mountains, where no civilized man ever goes. They never leave their secure hiding places other than for the purpose of robbery, generally cattle stealing."

Tayabas reports three tribes of non-Christians—Catabaganes, Negritos, and Ilongot. The first named are a peaceable people living in the mountains of Gulnayangan. They cultivate tubers and rice, number about 100 families, and recently have organized a municipal council. The Negritos are found in eight of the municipal districts and number about 2,000. Most of them are peaceable, although one tribe in Casiguran, at Mount Simbahan, is described as sanguinary. At Baler, Casiguran, Infanta, and Mauban they have organized themselves into settlements and chosen municipal officers, besides having a police force which acts in an auxiliary capacity to the municipal authorities of the Christian pueblos where they live. The Ilongot have their habitat in the hills of Baler from Dipaculau to Isabela, and at San José de Casiguan as far west as the hills of Pantabangan and Carrangian. They are ferocious, the members of one settlement being always on the lookout for an opportunity to kill those of another. Often they also attack Christian travelers on the road between Pantabagan and Baler.

While the reports of the provincial governors do not give a very extensive survey of the progress made in winning over the uncivilized tribes to a better

and higher mode of life, they show that considerable progress has already been made and that the officials through whose efforts it has been achieved are deserving of the highest praise.

PUBLIC HEALTH AND SANITATION.

A general survey of provincial health conditions shows a marked improvement over former years. Modern methods of sanitation and of preventing the spread of contagious and infectious diseases are becoming widely recognized and adopted by the people.

In nearly all the provinces the death rate has been considerably less than in former years. The greatest mortality is among children under 6 years of age, and due largely to infantile convulsions. Ignorance of parents as to the proper care and nutrition of infants is pointed out as the chief cause of the high death rate. The figures in some cases are alarming as compared with the whole population. The provincial governor of Ambos Camarines, where 2,767 deaths of children under 6 years of age were registered for the year, strongly recommends the establishment of a maternity hospital for the proper treatment and nutrition of infants.

The governor of Tayabas reports excellent conditions of health in his province. He states that the mortality has been reduced from 37 per 1,000 in 1903 to 31 per 1,000 in 1905. The excess of births over deaths was about 16.50 per 1,000 for the whole province. In Mauban the birth rate was 59 per 1,000, the highest on record "in any known country," the governor proudly reports. "The total proportion of birth," he adds, "is greater than in any European country or in the United States."

The principal cause of general mortality is malarial or intermittent fever, which exists in nearly all low-lying and uncultivated regions. It has been reported from some of the provinces that the extent and virulence of fevers in paludic regions has decreased with the clearing and cultivation of the land.

Cholera is confined to the provinces in the vicinity of Manila. It is reported worst in Cavite, Rizal, and Bulacan. There have been a few cases in La Laguna, Tarlac, Nueva Ecija, and Pampanga, but, in Bataan and Batangas, where it broke out in November, December, and January, the health authorities have successfully stamped it out. In the provinces most afflicted there is much more cooperation than formerly on the part of the people in fighting the disease, and there is every hope of its early extermination.

Smallpox, a veritable scourge in former years, has been entirely stamped out in several provinces and greatly checked in others by general vaccination and a rigid enforcement of isolation of cases. The great decrease in the ravages of smallpox during the past year is due largely to the comprehensive vaccination of the preceding year. For the first time since American occupation Benguet reports no cases. Ilocos Norte reports one case only. Albay vaccinated 25,000 people and had no death from the disease. In La Laguna, from January to June, there was a general vaccination of the inhabitants. In many places where it still exists it has appeared in a much less virulent form.

Pulmonary tuberculosis caused a large percentage of deaths in several provinces, in some cases being next in order to fevers and infantile convulsions.

Dysentery, diarrhea, and beriberi claimed a large number in some provinces, though beriberi is reported from only a few.

One hundred and twenty-eight cases of typhoid fever are reported from Nueva Ecija.

Lepers are sufficiently numerous in five provinces to call for special mention, and in one province, that of Albay, where there are 200 of these unfortunates, a provincial leper hospital is contemplated.

A few provinces have reported a considerable number of insane, a small percentage of them violent, living with their families unrestrained and without treatment. Attention is called to the need of government care of the violent as a protection to society.

The average rate of mortality appears to be not over two-thirds of the birth rate, the latter in many provinces being more than twice the former. The reports of several provincial governors show a very rapid natural increase in population. The island of Catanduanes reports 1,474 births in nine months and only 508 deaths for the same period. Cagayan, Ilocos Norte, Ilocos Sur, Misamis, and the subprovince of Abra show more than twice as many births as deaths. In Iloilo the increase of births over deaths is 4,393 for ten months of the present

year as against an increase of 2,088 for the same period of the last fiscal year. Batangas, though visited by smallpox and malaria, causing thousands of deaths, had 13,547 births and 7,973 deaths. The birth rate all over the archipelago is proof of the fertility of the race and an indication that the Filipinos need no encouragement in the propagation of the species; indeed, were it not for the large infant mortality undue increase of the population might more properly call for a deterrent.

Rinderpest is steadily decreasing, having entirely disappeared in many provinces. A few cases of foot-and-mouth disease are reported. Glanders and surra are sporadic.

EDUCATION.

The universal and unflagging interest of the Filipino people in public education is well evidenced by the reports of the provincial governors. So great has it been that in a large number of the municipalities throughout the islands private citizens have contributed their labor and money to the construction of central and barrio schools. Not only that, but municipalities have clamored for authority to use their general funds for school purposes, being quite willing to subordinate every other consideration to that of education. The attendance has increased in the great majority of the provinces, in some notable instances being practically the entire population of school age.

In many of the provinces secondary schools have been completed, while in a large number the erection of industrial and agricultural schools is awaited with interest. It is quite manifest that the people at large are willing and even anxious to go to a considerable sacrifice in the interests of education, and that taxation for the support of schools, even where looked upon as burdensome, would be cheerfully received. Special attention is invited to that part of the provincial governors' report relating to education.

AGRICULTURE.

General conditions throughout the archipelago as regards agriculture are poor, though there is an improvement over last and former years. However, conditions are described as deplorable in many of the provinces and the universal cry for relief has taken definite shape in the demand for agricultural banks. The depression in agriculture is ascribed to lack of cattle and of money as the primary causes, other reasons being the dearth and high price of labor, storms, locusts, and lack of a remunerative market. Besides these is the want of highways of communication which would furnish an outlet for the products of the soil.

The rice crop in five of the provinces of Luzon is reported as having been good. Ilocos Norte reports that it harvested 900,000 cavans of rice and shipped a considerable amount to the Manila market before the price fell. Zambeles reports a larger crop than in four years. Lepanto-Bontoc that it was unusually heavy. Tarlac that rice is grown in all the pueblos, but this year's crop, though large, suffered a loss of 25 per cent on account of drought. Rizal reports a larger crop of better quality than last year. Tayabas reports as to the rice crop that the pueblos on the China Sea and on the island of Marinduque only produced 10 per cent of the average crop. On the other hand the 14 remaining pueblos of the province report a harvest of 186,525 hectoliters, an increase of 21,700 hectoliters over the 1902 crop. La Laguna states that the agricultural situation is much improved, some crops being twice as large as last year. This is true of the paddy yield.

As to the Visayan Islands, Iloilo reports a crop 25 per cent in excess of last year. For the first time in many years native rice has been sold in the Iloilo market at a lower price than the Saigon product. Antique reports more than double the crop of former years, the crop last year was equivalent to 14 cavans per capita and considerable quantities were shipped to other provinces. Capiz reports that the rice harvest gathered in the months of September, October, and November, 1905, was somewhat ordinary and would have been quite fair had not several plantations been attacked by worms known in the locality under the name of "tamasok" and a disease called "latá," which left the plants wilted and unproductive. From Palawan it is learned that there was a decided increase over former years, rice being the chief product of that province. In the provinces of Ambos Camarines, Batangas, Pampanga, Ilocos Sur, Nueva Ecija, and Bulacan the rice crop has been reported as fair, while in the provinces of Pangasinan, Abra, Cavite, Misamis, and Surigao it has

been reported as poor. In Pangasinan and Abra drought was responsible for a decrease of from 45 to 50 per cent. In Cavite reconcentration and contributory causes reduced the crop considerably, while in the two Mindanao provinces mentioned drought was responsible for the decrease.

Maguey is becoming more extensively cultivated each year. In Antique it is looked upon as a promising crop and considerable interest is being taken in its cultivation. Bohol reports that the plant is being generally set out. One of the municipalities in that island has offered a money prize to the person setting out the largest number of maguey plants. Cagayan Province shows no less interest, municipal councils encouraging cultivation with satisfactory results so far, although the plants are not yet fully developed. In Ilocos Norte four times as many plants are reported as last year, the number now reaching 7,000,000. In many pueblos of Misamis the cultivation of this useful plant has been taken up largely through the efforts of the bureau of agriculture in exciting interest in its growth. In La Union the cultivation of maguey is reported to be increasing. In Zambales many new plantations have been set out. In Tayabas, owing to the difficulty in obtaining seed, maguey is cultivated only to a limited extent. Many other provinces report that experiments are being made in the cultivation of this useful fiber.

As regards hemp or abacá Albay reports that the harvest last year was less than for many years, due to the storm of last September. The governor of this province deplores the lack of draft animals to get the hemp crop to market and recommends the importation of burros from Mexico. Antique reports that a large part of the hemp planted in May suffered from the drought. Batangas says that hemp has replaced the former coffee industry to a large extent. In Bulacan seeds of the abacá and candle-nut trees have been widely distributed with a view of encouraging the cultivation of these useful products. The governor of Capiz reports that hemp plantations have been extended, but believes that the industry will not attain great prosperity unless a machine can be devised for the stripping of hemp at a small cost. In Cavite the crop is reported as 50 per cent more than in any previous year. The hemp produced in this province is reputed by the governor as its most valuable agricultural product, as the hope of the province, and as bringing a higher price than that of any other region. He suggests that the railroad be extended to Indang, the hemp center. In Mindoro thousands of plants set out in 1904 are now ready for stripping. In this connection it might be well to quote what the governor of this province says with regard to general agricultural conditions: "I found conditions far beyond my fondest hopes, cocoanuts, hemp, coffee, and cacao being planted by thousands; houses, large and small, being constructed on the farms, and everywhere abundant proofs that the Mindoran at last realizes that he has a fortune coming to him from the soil, a soil so rich that, in the language of an American soldier, 'a can of baked beans will sprout in a night.'" The governor of Tabayas states that 18 out of 25 pueblos have land suitable for hemp cultivation. Ten municipalities report having set out 1,714,695 hemp plants during the year. In 8 others hemp is cultivated on a small scale.

Turning to Mindanao it is found that in the province of Misamis there has been a diminished production of hemp, due to drought; that it has been a total loss in some parts, and that it will be two years before the hemp industry can recover its former prosperity. Hemp increased in quantity and price in the province of Oriental Negros, as high as ₱22.50 a picul having been paid for this fiber. Farmers have given up the cultivation of the sugar cane for hemp and cocoanuts in many instances in this province. A great deal of hemp was planted in the province of Surigao, and in Tarlac experiments have been made.

The production of sugar cane has diminished in some sections of the archipelago. In Antique drought reduced the crop to one-third of that planted, but the yield was larger than that of last year. In Batangas the harvest was insignificant as compared to former years of prosperity, owing to lack of draft animals, though a large increase is reported from certain pueblos. From Bulacan it is learned that the crop was very small, many cane fields being sown in paddy. In Capiz there was an increase over late years, but the crop amounted to only one-fourth of that raised in years before the revolution. Cultivation of the cane has decreased since American occupation. The governor is of the opinion that tariff concessions would revive the industry. In Ilocos Norte there was a good crop, though sugar cane is one of the minor crops of this province. A poor crop and low prices are reported from the great sugar-producing districts of Iloilo and the two Negros provinces. In Pampanga the crop was 40 per cent less than last year.

It is surprising to learn that prices have increased this year in the province of Rizal, all other provinces reporting lower prices than last year. In La Union there have been no new plantations set out, owing to low prices and general depression of the sugar market. The governor of Zambeles reports that the next crop of sugar looks promising. Nearly all of the governors of sugar-growing provinces recommend the reduction or abolition of the tariff on sugar imported into the United States from these islands, believing that such a measure would have a tendency to make the industry prosperous.

As regards tobacco, it is reported from Abra that last year's crop was attacked by insects. The general condition of agriculture there is described as deplorable. Cagayan and Isabela, the two chief tobacco-producing provinces of the archipelago, report discouraging conditions. The former attributes them to the lack of a market, to the failure to reduce or abolish the tariff, and to the internal-revenue tax on manufactured tobacco, which makes competition with imported tobacco impossible. To the remarkable neglect of planters Isabela attributes the decrease in the quality of the tobacco grown there, and to the low prices paid for this article. In Ilocos Norte, two-fifths of the tobacco crop was destroyed by early rains, but the harvest was good, amounting to from 15,000 to 16,000 quintals. A considerable increase is reported from Iloilo, where the crop was about 16,000 quintals. In this province the seed distributed gratis by the Compañía General de Tabacos de Filipinas has improved the quantity and quality of the crop. Nueva Ecija reports the largest crop in twelve years. The governor of the province of Palawan states that the yield in the tobacco districts was good. In La Union the crop was one-third less than last year. The figures given for this province are 35,000 quintals.

Corn is raised in Antique, Batangas, Ilocos Norte, Ilocos Sur, Iloilo, Oriental Negros, Surigao, Cebu, Tarlac, and Tayabas, as well as in many other provinces, though the fact is not mentioned in the reports of the provincial governors. The crop has been fair on the whole during the past year.

Antique reports that 75 per cent of the cocoanut trees under 2 years have been killed by drought. Cagayan has lately experimented with the raising of cocoanuts, with but poor results, the nuts yielding little meat and that of poor quality. Capiz reports a small crop, but good prices and increased plantations. Mindoro reports that thousands of cocoanut trees have been set out. Misamis reports great improvement and many new plantations. Palawan also reports an increase in yield of cocoanuts. The same remark applies to Pangasinan and La Union, while Zambales states that many new plantations have been set out. Tayabas is the largest producer of copra in the islands. Over half a million cocoanut trees were set out during the year in the 12 pueblos from which reports were received. The governor thinks it no exaggeration to estimate the total number of new plants set out at 1,000,000, representing a total area newly brought under cultivation of nearly 14,000 acres. The total production of copra is estimated at 280,615 piculs for the fiscal year, a decrease of 3,877 as compared with the census figures of 1902, attributed to the typhoon of September 26, 1905, which destroyed 15 per cent of the trees. The exports of copra from La Laguna for the fiscal year were 182,663 piculs, valued at ₱1,070,252.73. There are in the province 386 cocoanut-oil mills, whose combined sales during the year amounted to ₱168,465.52.

Coffee is grown in the following provinces to some extent: Benguet (2,000 cavans), Lepanto-Bontoc (2,500 cavans, valued at ₱30,000), Mindoro, Pangasinan, La Union, and one or two others. Cacao in Mindoro, Pangasinan, La Union, and a few others. Indigo, sesamum, sweet potatoes, mangoes, bananas, beans, oranges, garlic, Irish potatoes, and other vegetables, as well as cotton and ylang ylang are grown in many provinces.

Cattle raising is an industry carried on in some provinces, prominent among which are Lepanto-Bontoc and other northern provinces of Luzon. Carabao are reported to be increasing in a few of the provinces. Tayabas reports that carabao, cattle, and horses are sufficiently numerous to meet not only the local demand, but also to permit of shipment to other provinces. The following figures refer to registrations during the year in that province: Carabao, 8,512; cattle, 2,664; horses, 3,278.

Special attention is invited to the many recommendations made in the reports under review. A large number are useful and worthy of careful consideration. The most universal one refers to the establishment of an agricultural bank, a subject that has already been brought to the attention of the insular government and of Congress.

In concluding this survey of the prevailing conditions in the islands, as gathered from the information furnished by the reports of the provincial governors, it is a matter of regret to be unable to give more precise and definite data, always difficult to obtain, but at the same time it is a cause for congratulation that the reports show, as already stated, a considerable improvement over former years.

DEATHS IN PROVINCIAL AND MUNICIPAL SERVICES.

I regret to record that since the date of my last report there have been two deaths in the provincial service and two in the municipal.

Capt. Thomas Hardeman, provincial treasurer of Pangasinan, died in Manila, after a long illness, on February 8, 1906. He had been treasurer of the province ever since its organization on February 16, 1901.

Señor Don Daniel Toribio Sison, provincial governor of Surigao, died in Suriagao on March 20, 1906. Governor Sison was a native of Cebu, and was elected on February 1, 1904, and reelected on February 5, 1906.

Señor Don Pedro Rimando, municipal president of Naguillian, La Union, died in that pueblo on June 1, 1906. Señor Rimando was serving his first term as president.

Señor Don Felipe Kaharian, municipal president of Sinilloan, La Laguna, died in that pueblo on June 18, 1906. Señor Kaharian was twice elected president of Sinilloan, and was serving his second consecutive term.

THE PHILIPPINE ASSEMBLY AND NEW ELECTION LAW.

The approach of the time for the convocation of the Philippine assembly, for the choice of delegates to which, under the act of Congress of July 1, 1902, the President may direct the Philippine Commission to issue a call on March 27, 1907, made it expedient to prepare, in advance, legislation for the government and regulation of the election of the delegates thereto. Moreover, the existent law on the subject of elections, both municipal and provincial, was and is meager and lacking in those details of procedure which are all the more necessary because of the almost absolute inexperience of the people and the silence of the Spanish law on the subject. Therefore, before Governor-General Wright left the islands he suggested the advisability of drafting a law which should provide for the election of delegates to the assembly, and also codify and amplify the present law so as to adequately cover the whole subject. Governor-General Ide, some months ago, directed that this be done, and the task was assigned to Mr. Thomas Cary Welch, now acting chief clerk of the bureau, who has since been engaged, mostly outside of office hours, in preparing under my supervision a bill which is now practically completed and soon will be ready for submission to the Commission.

Among its prominent features are the division of those provinces not inhabited by Moros or other non-Christian tribes into seventy-nine assembly districts, no province having less than one district, and the more populous being divided into more districts in the ratio of 1 to every 90,000 of population and major fraction thereof remaining. Under this division the city of Manila, which is considered as a province within the meaning of the act of Congress, will have two representatives.

Other provisions, new in the islands, but considered necessary, are a system of registering the voters by boards of registry, which will avoid the evils growing out of the present method of registration by municipal officials, most of whom are usually candidates for reelection, the correction of registry lists by the courts or provincial boards, instead of by the municipal officers, and detailed instructions for the conduct of the voting, counting, and canvassing the returns. The decision of election protests is taken from provincial boards, which are frequently open to the objection of being interested in the result, and relegated to the courts, where they normally belong.

It is intended to put the election of provincial governors directly into the hands of the people in place of a convention of municipal councilors, as now. Five years of experience has demonstrated that under the present system altogether too much power over the municipal officers who compose the electoral conventions, which has been abused on occasions, is vested in the provincial governors.

Penalties for violations of the law are also prescribed, it being a curious fact that at present there is no way of punishing crimes against the franchise unless the act committed is such as would constitute a crime under the Spanish penal code.

In drawing the proposed law the election codes of Massachusetts, New York, District of Columbia, and California have been consulted and features adopted from each, modified in such a way as to meet insular conditions, and the numerous mistakes and abuses which have arisen in our provincial and municipal elections have been guarded against, the purpose being to provide a law which will be sufficiently explicit without being too complicated for the comprehension of an uninitiated public and to create the necessary safeguards and machinery for purity, secrecy, certainty, and expedition without causing a great drain upon the slender resources of the municipalities or provincial governments.

CHANGES IN THE CONSULAR CORPS.

The consular representatives of foreign nations at Manila number 24, 10 of whom are consuls de carriere.

During the time covered by this report the changes in the personnel of the corps have been the following:

Dr. jur Fritz Grouven was recognized on January 6, 1906, as temporary consul for Germany during the absence on leave of the German consul.

Señor Don Antonio Malvey on March 6, 1906, presented his exequatur, issued at Washington January 4, 1906, and was recognized as consul for Chile.

Señor Don Alberto Manigot on June 18, 1906, presented his exequatur, issued at Washington April 28, 1906, and was recognized as vice-consul for the Argentine Republic.

Information by cable from Washington was received on May 10, 1906, to the effect that Señor Don Alfonso Martinez de Tudela y Quiroga had been recognized as consul-general for Spain. He has not yet arrived in Manila.

Appended hereto, marked "Exhibit J," is a list of the consular representatives at Manila with their office addresses.

CONCLUSION.

In conclusion permit me to express the hope that the suggestions and recommendations I have had the honor to submit under several of the heads into which this report is divided may be accorded favorable consideration. I invite special attention to those under "Instability of the service," "Suggestions as to the collection of land tax," "Division of archives, patents, copyrights, and trademarks," and "Register of cattle brands."

In connection with the recommendation that the fees for certified copies of documents in the division of archives be changed to a straight charge of ₱1 per page instead of 10 centavos per folio plus the charge for the antiquity of the document, I would recommend that a charge of 50 centavos a page be made for every copy of a document in the files of any other division of the bureau, and the same fee for every certificate and authentication under seal. And I would further recommend that the bureau be authorized to charge 75 centavos per folio for all translations for other bureaus.

From November 1, 1905, to June 30, 1906, the translating division of the bureau translated at least 2,000 folios for other bureaus, for which not one cent of recompense was derived, and in some instances our appropriation was taxed to pay for translating work for other bureaus by reason of the fact that it had to be performed by persons not in the employ of the government.

The above authority is requested under the provisions of Act No. 1527, relating to the executive bureau.

Respectfully submitted.

A. W. FERGUSON,
Executive Secretary.

The GOVERNOR-GENERAL,
Manila, P. I.

NOTE.—The following exhibits accompany this report and are on file in the War Department:

Exhibit A.—A tabulated statistical statement of the cases against municipal officers and justices and auxiliary justices of the peace (exclusive of cases dis-

missed after preliminary investigation) in which final action has been taken during the year covered by this report, showing what disposition has been made of them.

Exhibit B.—Number and nature of the charges during the past year against the officials covered by Exhibit A and the result thereof.

Exhibit C.—Table showing appointments, designations, declinations, resignations, number relieved by statutory provisions, etc., removals and deaths of officials during the year.

Exhibit H.—Statement of a portion of the work performed by the administration and finance division during the fiscal year ended June 30, 1906.

EXHIBIT D.

Provincial officers.	Filipinos.	Americans.	Total.
Governors	29	9	38
Lieutenant-governors	3	2	5
Secretaries	31	1	32
Secretary-treasurers		3	3
Treasurers		31	31
Supervisors		2	2
Supervisor-treasurers		1	1
Fiscals	30	2	32
Presidents boards of health (offices abolished July 1, 1906)	25	6	31
Registers of deeds	7		7
Members of boards of tax appeals (appointments effective October 1, 1906)	58		58
Total	183	60	243

Provinces organized under Act No. 83	32
Provinces organized otherwise	6

Total number of provinces

38

Percentages of total:

Filipinos	75.31
Americans	24.69

EXHIBIT E.

Municipal and township officers.	Filipinos.	Americans.	Total.
Presidents	678	1	679
Vice-presidents	679		679
Secretaries	617		617
Treasurers	617		617
Secretary-treasurers	38	1	39
Councillors	6,224		6,224
Justices of the peace	613	11	624
Auxiliary justices of the peace	609	1	610
Notaries public (appointed by the courts and including Manila) ..	699	54	753
Total	10,774	68	10,842

Municipalities	614
Settlements	188
Townships	65

Total

867

Percentages of total:

Filipinos	99.37
Americans .....	.63

EXHIBIT F.

Province.	Office quali- fica- tion.	Prop- erty quali- fica- tion.	Educa- tional quali- fica- tion.	Office and prop- erty quali- fica- tions.	Office and educa- tional quali- fica- tions.	Prop- erty and educa- tional quali- fica- tions.	Office, prop- erty, and educa- tional quali- fica- tions.	Per- sons quali- fying as elect- ors.	Elect- ors ac- tually voting.	Total civilized popula- tion, 1903.
Abra ^a	151	327	240	78	22	30	68	916	887	37,823
Albay ^b								5,245	4,932	239,434
Ambos Camarines	1,938	1,315	2,887					6,140		233,472
Antique.....	715	132	686	147	294	153	126	2,253	2,145	131,245
Bataan.....	254	174	167	179	30	69	107	980	907	45,166
Batangas	2,589	413	893	914	309	276	395	5,789	3,793	257,715
Bohol.....	1,003	400	1,095	252	288	112	85	3,235	3,235	269,223
Bulacan	1,457	429	409	564	209	195	413	3,676	3,266	223,327
Cagayan	770	1,705	2,161	371	493	486	541	6,527	4,774	142,825
Capiz	1,997	318	710	425	349	177	341	4,317	3,687	225,092
Cavite	552	395	1,331	450	102	274	274	3,378	2,886	134,779
Cebu ^b								12,878	11,702	658,727
Ilocos Norte.....	438	778	1,464	266	145	188	361	3,640	3,534	176,785
Ilocos Sur ^a	521	2,449	1,002	409	82	213	176	4,852	4,622	173,800
Iloilo ^c	2,442	753	1,183	773	563	342	830	7,972	7,237	403,932
Isabela.....	86	749	844	112	156	157	162	2,266	1,992	68,793
La Laguna.....	853	2,896	396	1,522	141	283	237	6,328	5,600	148,606
La Union	1,089	2,274	503	575	212	269	188	5,110	5,110	127,789
Leyte ^b								4,667	4,667	388,922
Masbate ^d	645	1,021	764	972	1,159	838	1,452	6,851	1,861	43,675
Misamis.....	675	540	438	307	103	167	96	2,326	1,282	135,473
Occidental Negros....	1,751	304	1,996	888	267	247	293	5,246	4,564	303,660
Oriental Negros.....	274	146	523	358	57	102	97	1,557	1,342	184,889
Nueva Ecija	2,029	374	289	486	63	72	94	3,407	2,999	132,999
Pampanga	1,875	361	421	1,254	1,104	384	1,242	6,641	2,777	222,656
Pangasinan ^e	2,659	3,703	853	1,596	98	387	321	9,617	9,059	439,135
Rizal.....	2,014	796	708	794	306	378	331	5,327	3,099	148,502
Romblon	245	204	202	123	27	67	46	914	851	52,848
Samar ^b								3,187	3,187	265,549
Sorsogon ^d	304	440	654	256	355	352	542	2,903	2,566	120,454
Surigao	533	374	165	356	81	64	83	1,656	1,512	99,398
Tarlac	818	542	278	388	79	116	114	2,335	2,224	133,513
Tayabas.....	1,116	2,537	450	1,113	252	468	589	6,525	5,222	201,936
Zambales ^e	435	141	204	242	75	180	143	1,420	1,261	56,762
Total.....	32,228	26,990	23,916	15,670	7,421	7,046	9,747	150,081	108,782	6,623,804
Moro Province.....	73	271	350	113	97	256	36	1,196	662	63,374

^a Abra is now a part of Ilocos Sur.
^b Estimated, except as to the civilized population, by comparing Albay with Pangasinan, Cebu with Iloilo, and Leyte and Samar with Bohol.
^c One municipality of the province of Iloilo reported only the total number of persons qualifying and the total number actually voting, which have been included above in the totals for said province.
^d Masbate is now a part of Sorsogon.
^e By acts Nos. 1004 and 1029, 44,619 inhabitants were transferred from Zambales to Pangasinan, which transfer took place after the Philippine census was taken, but before the elections of 1903, hence the discrepancy between these figures and the census reports.

EXHIBIT G.

Province.	Persons qualifying as electors.	Electors ac- tually vot- ing.	Total popu- lation, civi- lized and wild, 1903.
Benguet.....	4,914	1,937	22,745
Lepanto-Bontoc.....	721	496	72,750
Mindoro.....	2,227		39,582
Nueva Vizcaya.....	3,184	2,522	62,541
Total	11,046	4,955	197,618

EXHIBIT I.

ANNUAL REPORTS OF PROVINCIAL GOVERNORS.

REPORT OF THE GOVERNOR OF THE PROVINCE OF ALBAY.

OFFICE OF THE GOVERNOR, PROVINCE OF ALBAY.

Albay, P. I., July 1, 1906.

Sir: In compliance with the provisions of act No. 1044, Philippine Commission, and in conformity with instructions contained in a circular from the executive bureau, Manila, dated June 9, 1906, I have the honor to submit my report for the fiscal year ending June 30, 1906, as follows:

AGRICULTURE.

The incalculable losses caused by the terribly destructive baguio of September 25, 1905, the same having been general throughout the province, damaging some districts more than others, still are keenly felt by many of our people.

It will require at least to the end of the present calendar year to substantially remove the unfortunate effects thereof; and this may be done only by the reaping of abundant crops of the soil, and marketing them at good prices.

Happily, our people are of hopeful and patient disposition. Consequently they have made and are making the most and best of the calamity which befell them, neither receiving nor asking public aid. Indeed few communities could have passed through the trying ordeal, under the circumstances, and exhibited like fortitude and philosophy, because, it is doubted if any other community in the islands has so much to look forward to each recurring 1st day of January, and so much certainly to discount.

Not in many years has the hemp production been as short as it is this year up to this date. The income from hemp sales, in an average year, is about 40 pesos per capita. This is a handsome return upon the investment, and warrants and induces better living, and at a higher cost, too, than perhaps anywhere else in the archipelago. Because of the disaster cited, receipts from sales of hemp are and have been for months greatly reduced, rendering much self-denial of what had become necessities on the part of the major portion of the population.

It is predicted that October's yield of hemp will be normal in amount, but information at hand, apparently well founded, is that it will be later before this "consummation devoutly to be wished" shall be realized.

Hemp, it is superfluous to observe, is Albay's chief product. Not that it can produce nothing but hemp in paying quantities, because it can produce many things, but because hemp culture is easy and profitable.

Since 1861, excepting one year, Albay produced vastly more hemp than was grown and gathered in any other province. In proof whereof the following table is submitted. This table gives the total receipts of hemp at Manila, and the total receipts at Cebu, from Aparri to Tawitawi, and in comparison with these receipts is placed simply the production of this province for the period mentioned year by year:

[Stated in piculs.]

Year.	Albay	Manila.	Cebu.	Year	Albay.	Manila.	Cebu.
1861	196,473	414,696	70,896	1884	279,659	670,926	124,246
1862	216,019	463,971	83,747	1885	272,971	724,048	122,103
1863	248,076	470,754	82,522	1886	244,420	684,080	121,386
1864	250,065	478,065	129,642	1887	266,494	937,822	131,528
1865	212,192	379,191	154,104	1888	339,867	1,112,906	206,276
1866	225,685	371,256	100,659	1889	403,401	980,182	151,616
1867	221,854	402,388	60,032	1890	283,491	972,188	113,636
1868	233,645	422,189	87,958	1891	41,158	1,163,826	198,020
1869	153,756	343,323	121,650	1892	299,426	1,037,452	182,901
1870	182,327	420,300	170,770	1893	377,678	1,334,958	206,504
1871	183,429	419,725	94,181	1894	351,153	1,339,740	244,801
1872	250,967	513,511	137,558	1895	371,280	1,436,086	167,469
1873	263,398	542,596	181,182	1896	369,758	1,422,948	195,916
1874	230,011	474,996	124,048	1897	550,548	1,608,160	147,706
1875	203,683	433,791	116,276	1898	323,511	865,852	618,666
1876	300,248	552,260	116,276	1899	265,866	744,422	241,100
1877	245,725	582,416	116,276	1900	486,123	1,536,960	343,192
1878	227,377	525,689	116,276	1901	547,096	1,344,426	192,720
1879	295,776	596,916	87,958	1902	545,941	1,433,390	364,666
1880	526,384	676,530	131,182	1903	527,171	1,693,965	314,727
1881	331,336	60,561	170,770	1904	591,354	1,709,225	306,048
1882	263,383	582,466	124,048	1905	521,658	1,459,602	360,556
1883	284,706	682,064	116,276				

The hemp harvested in the year 1904 was valued at ₱12,000,000. All the land declared for taxation was valued at ₱13,000,000. Furthermore, only 50 per cent of the growing hemp in the fields was cut, cleaned, and transported to the port towns for shipment, because of a scarcity of labor and draft animals and an insufficiency of good roads.

There are much better roads now; labor is no more plentiful, however, but it is cheaper for the time being, and the number of draft animals has not increased. Disease decimated these last named in the first instance and has since continued to do so periodically.

What is, and will be, badly needed is a way to bring the hemp out of the bosque to the main thoroughfares, and to the railroads when constructed. This could be brought about inexpensively, it is thought, by securing and utilizing large numbers of the little pack animals called the "burro," the first cost of which is small. Thereafter he will manage to subsist himself and will require scarcely any care. He should be able to carry a bale of hemp from morning until evening and graze enough meantime to sustain him throughout the journey. One man could look after thirty to forty in a train and not have too much to do. They may be bought in the Republic of Mexico at not to exceed ₱5 a head. And once landed they should become acclimated by mere disembarkation.

If the experiment were to be made, persons who are exactly advised as to the habits and extraordinary powers of endurance of this useful beast of burden where he abounds in big herds are very confident of its success, but the bureau of agriculture might be able to obtain more definite facts upon this proposition. It is believed by those who have looked into it that a shipload of these small but strong animals would have ready takers.

With the demand for hemp in excess of the supply always when conditions are normal; with the fact that hemp is by far the most important product of these islands and will be indefinitely, doubtless, standing out in bold relief, it does seem that in the matter of agriculture the insular government owes more to the cultivation of hemp than to the advancement of any other product peculiar to the soil. And yet, not meaning to criticise, it has done less, save in Mindanao.

Sugar and tobacco interests have been jealously fostered in so far as this might be done, and much stir has been made, even in the United States, to secure legislation in their behalf, all of which is commendable and applauded; but for hemp not much has been undertaken, and, in so far as the American Congress is concerned, nothing is asked with respect to tariff revision because nothing is necessary.

It is thought here that since hemp is a staple of such universal use in its finished form the opportunity to increase its production and promote the interest is ever present, and that the insular government might give it the assistance requisite to accomplish these purposes—which is to say that the insular government to do this would have to spend considerable money in the construction of numerous good roads and in establishing colonies; by bringing the unemployed from other islands, from tribes that would be apt to assimilate with Bicolis. It means, too, that railroad construction should be no longer delayed than may be considered absolutely necessary to make preliminary arrangements and surveys. This is not a plea for an appropriation. Not only the insular government, but as well the Government of the United States, has assumed the implied duty to see to it that the world is furnished an increased hemp production. The obligation of the home and the central government in this regard is greater than that of the local government, because that of the former is directly due and owing manufacturers and consumers of the United States in particular and of the world in general, now that the United States Government controls and governs the Philippines, and, therefore, has the power to determine whether the output of the raw hemp shall be augmented or not.

Hemp culture should be encouraged by amendment of the homestead law. Forty acres of hemp land, uncultivated and to be planted, even when the plants shall mature, will represent not as much as a small plantation in importance, so that if the man in quest of a homestead were to be permitted to "take up" 40 acres of hemp land he would not have a great deal to begin the hemp business upon. But he is not; he must occupy other classes of land, and other classes of land will not grow hemp, the theory that every foot of land in the Philippines will produce hemp to the contrary notwithstanding.

The homestead law should carry with it permission to preempt lands of any class in the hemp provinces, in which event the wooded slopes, where the best

quality of hemp may be produced, would soon be under cultivation. Forty acres should be multiplied by at least two, for example, thereby creating an inducement worth while to persons elsewhere to become settlers here.

COMMERCE.

The recommendation of the former governor of the province of Albay to make Legaspi a port of entry is hereby renewed. Legaspi is named with no intention to discriminate against Tabaco, but because, so to speak, it is midway between Tabaco and Sorsogon, and from the Camarines to Legaspi the haul is short and the roadway passable in all seasons of the year.

There is no port of entry between Manila and Iloilo. The southern provinces of Luzon have sufficient trade, coming and going, to require and well support a port of entry. And, moreover, the government should secure to the inhabitants thereof such facilities as may be necessary to bring to them articles of consumption at the least cost possible and to take their products away—especially to other countries—at as little outlay as may be, to the end that the producer may be the gainer.

The average production of hemp in the province of Albay, shown in the foregoing table, far exceeds the average receipts of hemp at Cebu, a port of entry, and all the Albay hemp is exported by the way of Manila, and to reflect. Furthermore, the three provinces of Albay, Sorsogon, and Camarines, each bounding the other, represent the Bicol country.

Now, while the Tagalos have a port of entry at Manila, the Visayans ports of entry at Iloilo and Cebu, and the Moros ports of entry at Zamboanga and Jolo, the Bicolis have none, although the Bicolis grow much more hemp for export and consume many more imports than the Visayans or Moros.

The Bicolis represent a population of 562,000. This in itself suggests the great quantity of imports their wants and necessities demand and the tonnage essential to carry the same. But there is a stronger argument in favor of a port of entry for the Bicolis. It is found in the combined hemp production of these three provinces, in comparison with receipts at Manila and Cebu from all other ports of the islands, exhibited in the subjoined table:

[Stated in piculs.]

Year.	Bicol Province.	All others.	Manila-Cebu.	Year.	Bicol Province.	All others.	Manila-Cebu.
1861	274,108	140,488	414,596	1883	412,540	384,790	797,330
1862	304,684	59,887	468,971	1884	416,660	379,512	795,172
1863	335,991	134,763	470,754	1885	432,259	413,992	846,151
1864	343,286	129,799	478,065	1886	386,414	420,001	805,415
1865	282,798	96,898	379,191	1887	429,204	640,148	1,069,350
1866	296,775	74,481	371,256	1888	537,494	778,088	1,315,582
1867	300,551	101,837	402,388	1889	485,358	646,416	1,131,768
1868	320,067	172,817	492,884	1890	454,061	631,773	1,085,824
1869	220,890	206,180	427,070	1891	510,732	848,114	1,358,846
1870	265,824	236,498	502,822	1892	516,868	1,003,585	1,520,258
1871	298,650	239,206	517,856	1893	624,826	915,698	1,540,463
1872	364,888	251,715	616,603	1894	592,587	991,964	1,584,541
1873	382,073	290,165	672,238	1895	683,343	920,164	1,603,507
1874	338,778	290,322	629,100	1896	739,738	879,181	1,618,864
1875	306,541	227,909	534,450	1897	846,966	903,940	1,750,866
1876	405,593	218,359	618,962	1898	461,087	1,023,321	1,484,408
1877	371,727	297,947	669,674	1899	381,686	603,837	985,522
1878	364,376	285,937	650,313	1900	482,750	997,402	1,480,152
1879	308,311	383,563	686,874	1901	496,736	649,410	1,146,146
1880	454,483	363,279	807,712	1902	806,584	993,492	1,799,066
1881	491,185	375,136	866,321	1903	991,963	1,016,129	2,008,092
1882	373,295	383,819	707,114	1904	964,968	844,406	1,809,278

* Manila only.

	Piculs.
Bicol Province, 1861-1904	21,006,677
All others, 1861-1904	21,777,017
Manila-Cebu, 1861-1904	42,783,694

Under existing laws hemp approximately pays no tribute to the province in which it is raised, unless that province has a port of entry. The export duty is collected at Manila. The internal-revenue taxes from hemp collected here

are practically nil, because all hemp is for export, and, as a rule, it is bought by agents of Manila houses.

On the whole, the cost of living in Albay Province is higher than in Manila. This is explained in part by the excessive carrying charges placed on cargoes from Manila and the transshipping of foreign goods there.

A port of entry at Legaspi would provide short hauls between Legaspi and all other ports in this province; a very short haul, by land and water, or either, between Sorsogon and Legaspi; and short hauls between Camarines points and Legaspi, by land or water—these as against the long, tedious, and expensive haul between any one of these places and Manila.

To quote the secretary of the province, "Legaspi is one day nearer San Francisco than is Manila." Geographically Legaspi is the open gateway to America; Manila the open gateway to Spain. Soon the unsurpassed coal deposits in Batan Island, 15 miles from Legaspi, part and parcel of the Province of Albay, will be mined. Ships will coal there, coming even from Manila to do so.

A line of railroad is to extend from Legaspi through the province to and beyond the Camarines border, and in the very nature of things it should be encouraged, aided, and assisted in so far as this may be done legitimately. Nothing conceivable could be of more account to this proposed railway than a port of entry at Legaspi, because of the increased imports that would be discharged there for distribution in Albay and the adjoining provinces.

There are many additional reasons why this recommendation should be favorably considered and promptly acted upon, but condensation is aimed at and they must be omitted, beyond stating that the traffic from Legaspi to Libon, a distance of 30 miles, now transported by bull carts, is sufficient in volume to insure immediate profits upon the investment when the projected railroad between those towns shall begin the running of trains. Ample employment is awaiting the carabaos in rice fields and by-roads.

From the port towns of the province, including Virac, into the interior there was hauled last year by bull carts 607,748 piculs of rice, all of which had been brought to these ports in bottoms. If there had been railroads these would have done the hauling instead. Perhaps next year rice imports will be less, for there has been more planting of rice in the province this year than ever before since American occupation. And there will be still more planted hereafter, if modern machinery to supplant the carabaos in the fields shall be successfully introduced.

There is no good reason why there should not be large shipments of copra from this province, because of the countless cocoanut trees which flourish here. Nevertheless, the shipments of copra for 1905 amounted to 15,202 piculs.

ECONOMICS.

From the foregoing it is clear that normal prosperity is not being enjoyed by the province now. Nevertheless there is a question of but a short time before the natural status in this regard will have been restored.

By a study of the table giving the production of hemp in this province, as against receipts at Manila and Cebu, it is patent that a short production of hemp in one year from whatever cause is followed in the next by a large yield, so that our people are confident of much improved conditions soon, and next year, all things being equal, the crops of hemp in quantity should break the record of the past.

The volume of money in circulation in normal times is insufficient to transact the business of the province. Drafts and other classes of negotiable paper are used in lieu thereof, especially by Manila houses in payment for hemp. And the paper in turn must suffer a heavy discount that the holder may have ready cash.

A bank is badly needed, therefore, and it would prove a profitable enterprise, and also it would rescue the public from the usurious rates of interest current charged by private parties.

Nowhere could a so-called agricultural bank do a safer business than here in the province of Albay, indeed there is room and business for two banks—one at Legaspi, the other at Tabaco.

It is the custom to bring the hemp from the interior to Legaspi and Tabaco, where it is finally sold and shipped to Manila. Very frequently the price offered is lower than that at which the owner cares to sell, but since he can not store it he must let it go. Hemp is not classified as perishable, and may be stored without damage.

A bank with fireproof, properly ventilated warehouses could advance 50 per cent of the value upon hemp brought to Legaspi and Tabaco to be sold when the price may not be satisfactory, and this is usual, and hold it for a rise, while the owner could take the money thus advanced, return "up country," and buy more hemp. The loan necessarily would be for a short time, the rate of interest low, compared with the transaction and the profits most likely to result from holding for higher prices, and besides loans could be made upon real estate and other classes of good security. This office is in receipt of a letter from a gentleman in the United States in which he asks if a bank were to be established in Legaspi or Tobaco would it be a good investment. Of that there is no doubt. It is one of the urgent needs.

Because it appears to come within the purview of domestic management the subject of weights and measures is taken up under the caption of "Economics." The people are victims of false weights and measures to a scandalous and outrageous extent in this province. And the recommendation made by predecessors is repeated, that standard weights and measures be supplied the province, and that their use may be enforced. Inspectors with the power to inspect and bring the guilty to a summary accounting should be provided by legislation.

There is in the province a practice which might be styled "Short weighting." The seller is the loser or the buyer, as the case may be. But like all such things, he is made to believe he is the gainer. For example: The current price paid for hemp is 20 pesos. Very well. Some unscrupulous fellow offers 22 pesos. Of course the unwary sell to him, always the small holder, the man who can less afford to lose. But he is victimized; he is short weighted. The scales upon which his hemp is "weighted in" are adjusted to cheat, and he would have received more in actual cash from the man proposing to pay no more than the market price, 20 pesos a picul with honest scales, than he received from the 22-peso man.

In such simple transactions as retailing rice like swindling is done, and it is done brazenly, since it has become the custom of the country.

FINANCES.

The indebtedness of the province is primarily due to the insurrection and reconcentration of the year 1903, the former lasting throughout the twelve months, the latter for a period of between eight and nine months.

When the provincial treasurer's office was transferred, temporarily, in February, 1903, there was a balance on hand to the credit of the province of \$6,558.56 and local currency 46,530.02, and no outstanding unpaid bills. When, late in September, the office was retransferred the credit of the province was gone.

Collections were made with great difficulty, when made at all. Taxpayers took advantage of the untoward situation not to pay. In some sections of the province it was unsafe for traveling deputies of the provincial treasurer's office to venture.

The municipalities in many instances became insolvent and the province had to come to their relief, lending them a total of ₱20,000, only ₱6,000 of which has been returned. Purchases, liberal, because the strong box was full, yet useful and much needed, had been made for the province through the insular purchasing agent, but when these should have been paid for they could not be, the insurrection and accompanying reconcentration having exhausted the funds.

The insurrection at an end, the work of reconstruction was begun, and the work of reconstruction is always hard enough, although gentlemen not directly identified with it may not think so. It is not wholly completed now, albeit it is generally forgotten beyond this province that Albay had an insurrection of exceptional magnitude as late as 1903, which was not entirely disposed of until in the succeeding year.

The policy pursued in adjusting affairs was to take care of home creditors first, on the theory that the insular government as a creditor was better able to wait—especially to wait for settlement of the indebtedness made in 1903.

Credit here was restored and maintained, salaries were paid, and the provincial board believed that, taking one consideration with another, the best that might have been done was done.

The insurrection was not directed against the province as such; it was in the nature of a revolution against American domination and authority. This was the testimony given by the chiefs who presented themselves.

It would seem, therefore, that the cost of suppressing that rebellion in its entirety should have been treated as a proper charge against the insular government.

On February 16, 1903, a memorial from the Albay provincial board was forwarded to the executive secretary for consideration of the civil governor, of which the following is a copy:

THE PROVINCE OF ALBAY,
Albay, P. I., February 16, 1903.

The EXECUTIVE SECRETARY,
Manila, P. I.

MR. BEEKMAN WINTHROP, SIR: The undersigned, the provincial board of the province of Albay, have the honor to submit the following representations, with the request that the same be presented to the civil governor for such action as he may deem proper:

Quoting from the case of "In re order of Major-General Otis, requiring Smith, Bell & Co., a banking house at Manila, to turn over to the American authorities \$100,000, held by said house as the property of the insurgent forces in the Philippines," reported in "The Law of Civil Government under Military Occupation," page 261, it appears that on January 23, 1899, the branch house of Smith, Bell & Co., a British banking and mercantile firm, with principal place of business at Manila, P. I., said branch house being located at Legaspi, province of Albay, P. I., sold a draft for \$100,000, drawn in favor of Mariano Trias, who was the custodian of the funds or treasurer of the insurgents. The military authorities called upon the firm at its Manila house in behalf of the United States and required said firm to pay over to the American authorities the sum of \$100,000, being the amount of said draft. The firm complied under protest. The protest was taken up by the American Government with the British Government, the outcome of which being it was of no avail, the American Government retaining the money, which it now has in its possession in the insular treasury, Manila.

This sum of \$100,000 was contributed by the residents of the province of Albay, under force, to promote the cause of revolution, and at a time prior to the occupation of the province, or any part of it, by the American forces. Wherefore it has occurred to said provincial board that, under the circumstances, equity and good conscience suggest that this money should be refunded to the province of Albay, for the benefit thereof, to be expended for public improvements, which are much needed; and your petitioners pray that this order be made.

While the right of the central government to the use of this money is conceded, it does seem, nevertheless, that its return to the province would be an act warranted by the facts and one that would exert a wholesome influence among the natives and emphasize by practical and substantial example the reputation of the American Government for fairness and a desire to deal kindly always and generously where it may be done within the law, with all persons, of whatever color or condition, who come under its flag for protection and subscribe to the oath of allegiance.

Respectfully submitted.

On July 23, 1903, action was taken by the Philippine Commission, as the following excerpt from the minutes thereof shows:

THE GOVERNMENT OF THE PHILIPPINE ISLANDS,
EXECUTIVE BUREAU.
MANILA, July 24, 1903.

SIR: I have the honor to submit for your information and guidance the following excerpt from minutes of the Philippine Commission of July 23, 1903:

"Whereas one hundred thousand dollars in Mexican currency was collected by forced contributions to the insurgents during the insurrection from the inhabitants of the province of Albay at a time prior to American occupation of that province; and

"Whereas there is much evidence to show that this one hundred thousand dollars was embraced in a draft, which was subsequently seized by the United States Government and the proceeds of the draft turned into the insular treasury; and

"Whereas the conditions of the province of Albay are such as to require the institution of public works, with a view to furnishing labor to the people thereof; and

"Whereas although the facts enumerated above do not form the basis of any legal claim for the return of the money referred to from the insular treasury to the people of the province of Albay, the circumstances nevertheless present an equitable basis for action in the discretion of the Commission in this regard, in view of the present needs of the province: Now, therefore, be it

Resolved, That under act No. 797 the civil governor is hereby authorized to direct the auditor to draw a warrant on the insular treasury in favor of the provincial treasurer of Albay for the sum of twenty-five thousand dollars, United States currency, the same to be deposited in the provincial treasury of Albay and to be disbursed upon the order of the provincial board of Albay for public improvements in such a manner as to furnish labor to the people of the province who shall be in necessitous circumstances; the disbursement of the funds to be made by the provincial treasurer in accordance with law, subject to the same accounting to the auditor, as provided for the disbursement of other provincial funds. The provincial treasurer is also required to make a full report of the expenditure of this fund to the civil governor to enable the civil governor, as required by the act of Congress, to report to Congress the disposition of the money. The provincial board of Albay is authorized to purchase rice with this fund and to use the rice in payment of labor in so far as it may be wise. The provincial board of Albay may also authorize in limited quantities the use of rice purchased to relieve the wants of the indigent poor unable to earn money by labor, but the amount thus expended can only be expended by approval of the provincial board concurred in by the civil governor."

Very respectfully,

(Signed) A. W. FERGUSON,
Executive Secretary.

To the GOVERNOR OF THE PROVINCE OF ALBAY,
Albay, Albay, P. I.

While it is admitted that "the facts enumerated above do not form the basis of any legal claim for the return of the money referred to, from the insular treasury to the people of the province of Albay," yet the fact is not denied that the \$100,000 gold was contributed by residents of the province of Albay—not voluntarily, but through fear—and that, since it is not practicable to return to each contributor the amount of his contribution, it would be just and fair and gracious to return the same to the province for public improvements, in which all residents alike are interested.

The province is indebted to the insular government in the sum of ₱125,000, loans advanced. The first was ₱25,000, in the period of insurrection and re-concentration in the year 1903; the second was ₱65,000, by act No. 1260, dated November 14, 1904, for the purpose of constructing wagon roads from Tabaco to Ligao and from Guinobatan to Jovellar, appropriated on condition that the province set aside from its funds ₱25,000 for the same purpose; the third was ₱35,000, by act No. 1418, dated December 5, 1905, for altering and repairing the public carcel used as a provincial building.

The first loan was negotiated not out of choice, but because it was imperative, and it was returnable in one year. The second was negotiated, in all probability, solely because it was offered to the province.

The undersigned, then provincial treasurer, voted not to accept the loan and make the proposed appropriation of ₱25,000; and since the written reasons then given for his objection are apropos to criticism of the provincial board in general, and himself in particular, for not having settled accounts held by the insular government against the province of Albay, even after frequent demand had been made therefor, the said reasons are incorporated herein and are as follows:

"I vote against acceptance for the reason that there is no assurance whatever that the province will be able to meet this proposed obligation when it shall become due. It had from the insular government a loan of ₱25,000 and is in default of payment. It has ₱19,000 in the Congressional relief fund, and about ₱8,000 in the road fund; and this proposition means that the ₱19,000 absolutely and approximately ₱6,000 of the road and bridge fund shall be at once appropriated and unavailable for any other purpose than the Ligao-Tabaco improvement.

"The internal-revenue law, which will go into effect the 1st of January, will be an experiment. Most of the taxes to be collected under that law will not be due and payable before the end of the first quarter. After these shall be collected it will be necessary to remit the collections to Manila, whence

25 per cent of the total collections from all the provinces will be returned to each, according to population; 10 per cent to the provinces, 15 per cent to the municipalities.

"Besides the province owes the insular government not less than ₱15,000, much of it to the insular purchasing agent, who insists upon payment through the executive bureau, and the bureau in turn insists that he must be paid.

"The public printer has bills against the province amounting to between ₱3,000 and ₱4,000. The province was refused forms because it did not pay promptly; it had not paid promptly because it could not. The province had much local liabilities here, as well as with the government, growing out of the period of reconcentration and the period of insurrection which preceded and attended it.

"The policy of the treasurer's office was to pay the local debts first—those at home—on the theory that the government, rather than our people, could better wait.

"In March, 1903, this province owed nothing, and probably had as large a balance on hand as any other province in the islands.

"It was then that reconcentration was ordered. The result was that by October, when the surrender was made—a period almost nine months of continuous reconcentration intervening—the province had been unable to collect but a small portion of the taxes by reason of the fact that the deputy treasurers could not go about in safety, and many people were rendered unable to pay their taxes, while others took advantage of the situation not to do so. It became necessary to incur extraordinary expenses, to sustain reconcentration, and to resist what was a local rebellion. Furthermore, certain municipalities became insolvent and it was necessary to lend them ₱20,000. But a small portion of this has been returned; most of it will never be.

"With the province in this financial strait, I can not consistently agree to assume any further indebtedness, excepting such as may be absolutely necessary for the proper conduct of the affairs of the province."

The ₱65,000 was to be returned in three equal annual payments.

The third loan was negotiated because it was estimated that to repair the Carcel, used as a provincial building, severely damaged by the terrific bagulo of September 25, 1905, would cost, perhaps, ₱8,000, and it would thereafter afford no more accommodations for offices than before; so that, since a goodly sum would have to be spent for ordinary repairs, it would be more sensible economy to extend the repairs into alterations sufficiently extensive to add a second story to the structure, at an outlay not to exceed ₱35,000, to be borrowed from the government and returned in four equal annual payments.^a

PUBLIC HEALTH AND SANITATION.

At the expiration of his term of office as president of the provincial board of health, the office having been abolished by act of the Commission, effective on and after July 1, 1906, Dr. Shannon Richmond submitted a report covering a period of nine months, reports from municipalities for April, May, and June not having been received, in which he said:

"The total number of deaths in the nine towns in which municipal boards of health are established is 4,144 and births 4,565, annual death rate per thousand population being 35.16 and birth rate 37.56. The two principal causes of death were malarial fevers (1,470) and infantile convulsions (545). Of total number of deaths, but 108 had been treated by physicians. There were no cases of cholera and no deaths from smallpox in the province. A general vaccination in all of the towns was commenced in April. Up to the present there have been about 25,000 vaccinations performed, whereas in the preceding year over 100,000 people were vaccinated. There are 159 insane, 645 blind, and about 200 lepers in the province. Plans are under way for the establishment of a hospital for the latter. Especial attention is called to the condition of the nine towns in the island of Catanduanes, in which towns during the first nine months in the year there were but 508 deaths and 1,474 births."

Having learned from the director of the insular board of health that the lepers of this province will not be received at Cullon for some years, Doctor Richmond conceived the idea of establishing a provincial colony, and estimated the cost at ₱12,000 after consultation with the district engineer. Being one of the party

^a The cash balances in the several provincial funds at the close of business June 30, 1906, are shown in a statement on file in the War Department.

present at the regular semiannual inspection of the municipalities, he outlined his plans to the respective councils, and there was unanimous approval of it, each one promising to vote an appropriation from the general fund at the rate of ₱5 per hundred of the population, as proposed by the doctor, conditioned that legislation giving authority for such action be granted, all of which is heartily indorsed and recommended.

It is true that the lepers have been here for ages, as has been urged in opposition to the scheme, but this does not excuse the American Government from eradicating the horror of the disease as soon as it may be done any more than the ignorance found here would have justified it in delaying the general introduction of the public school system.

For the most part the sanitation of the towns is good. Because of the flow and ebb of the tide in the municipality of Legaspi, by reason of its lowness with reference to the sea, all sorts of débris is carried in and deposited there, making it a vexed problem to keep the place clean; yet this is being very well done. Guinobatan, one of the most populous municipalities, heretofore insanitary, has been cleansed and is now well kept.

In a number of the towns the water supply for drinking purposes gives rise to malignant fevers in certain seasons of the year, causing an alarming death rate. It is thought this may be overcome by providing these municipalities with driven wells, as is done in Nueva Caceres, Camarines, and the municipal officials in each of these places have been requested to establish and maintain one or more public wells of this kind, since the cost is merely nominal.

In the rainy season sickness and marked indisposition develop, not alone among the prisoners who occupy the public building as a carcel, but among officials and employees as well. Dengue fever and beriberi are quite common. At this writing there is an epidemic in the building of the former. Poor sanitation is to blame. Under the structure is a veritable network of sewers of great dimensions, but obsolete, and worse than all, they can not be emptied and have not been in years. They contain and hold an accumulation of noisome matter, while the foundation walls of the building have become saturated with noxious liquids from these disease-breeding sewers. On this subject the president of the board of health reports that the carcel (provincial building, so called) is insanitary, and that in past years, especially during wet seasons, the mortality among the prisoners was very high, the principal causes of death having been beriberi and scurvy. The building could be put in sanitary condition, he thinks, by making provision for proper ventilation, by placing in all the rooms wooden floors raised a foot or more above the present cement flooring, by using glass or shell windows in order to admit light without letting in the rain, and by thoroughly overhauling the present system of sewerage. It is evident the expenditure to do the work necessary would be considerable.

POLITICAL CONDITIONS.

The elections were of primary significance. Besides the choosing in the municipalities of chief executives, or presidents—an occasion which brings out the greatest spirit of rivalry and enthusiasm on all sides—it was the year for the naming of councilmen and vice-presidents to act as electors in the election for governor some two months later.

These elections were held on December 5, and this period being within the term of my predecessor, measures taken with regard to local conditions were his measures. Knowing the forcefulness of the persuasion, and even, it may be ventured, coercion, being brought to bear on the voters in their homes to bring them in conformity with the aspirations of the candidates by their own efforts and those of their "workers," circulars were sent out tending, or drawn up, to strengthen the independence of the voters, to relieve their minds of mistaken ideas of "obligations," and to insure an election that should be free and spontaneous and the true will of the people, as near as it could be gotten at.

Election results—Summary.—(1) Twenty-seven municipal elections were held in December last, exclusive of special elections.

(2) Fifteen protests were filed.

(3) Seven protested elections were approved by the provincial board.

(4) Eight protested elections were annulled by the board.

(5) Eight special elections were held as a result of the annulment of regular elections, up to February 28, 1906.

(6) One special election has been ordered, but not yet successfully held or confirmed, in Tlul (or Tivi), it being the sixth in number for that town since and including that of December 5, 1905.

The case of the election of Rapu-Rapu brought on legal proceedings in the court of first instance. The election for president was annulled there, that of the other officers having been confirmed, it being held that the person elected president was under legal incapacity in this respect, he being at the time the municipal treasurer and deputy of the provincial treasurer and thus receiving salary from provincial funds, persons prohibited under section 15, Municipal Code, from being elected or appointed to municipal offices. Later, on an opinion from the executive bureau that on resignation as treasurer this officer could qualify as president as elected, the board, on December 16, revoked its annulment and order for partial election and approved the election as first held, which latter order of the board was made the subject of a petition to the court of first instance for a writ of prohibition to quash on the ground of want of jurisdiction in the provincial board, and a temporary injunction was granted by the court therein. Final decision was against the board, and a new election was therefore held for the choosing of a president on April 10, 1906, by which the contestant in the court won, to which there was a protest, on which final judgment was given by the board sustaining the election as held.

The case of the election at Tlul presents exceptional features. Two candidates divided the field between them and have been left in undisputed control thereof to struggle, and struggle they have, without cessation, producing acute and dangerous political rivalries and giving infinite trouble to administration, and expense and loss of time to local government and voters. A burning of the municipal building, which was extinguished before much harm was done, but caused sufficient of a commotion at a critical time to cause the election judges to abandon the count and leave the ballots scattered and to come into the hands of unauthorized persons, caused the fifth election to be declared illegal and a charge of arson to be preferred against a member of the municipal council. Many suspensions have had to be made. Preceding the following election both candidates had been appointed, respectively, president and vice-president, appointments having been made according to results by drawing of lots for the respective positions, but this did no good, the president thus appointed having deliberately substituted his own judgment as to the admitting of 84 voters as qualified for the judgment of the majority of the qualifying board, which had excluded them, and vice versa as to 12 others, and from the changed list thus furnished by this president the vote was drawn, producing an illegal election.

Report of all this has been rendered to the executive secretary during the course of these elections.

A remedy for this has been suggested in the amendment of the law in such a way as to authorize the appointment of municipal officers if at the conclusion of a second election no choice had been legally agreed upon by the electors.

Necessity for amendment of the election law is shown in the further fact that, as a rule, irregularities had been committed by the qualifying board or the election judges, or both, where elections were annulled. Too often a candidate, or candidates, are members of the board of qualification; if not both the other members, then the vice-president, and what he wishes in his choice of candidates is done. This, of course, is a difficulty produced by local conditions, as personality can never be controlled by law.

Another feature that is brought into relief in the investigations made is that the members of the council, who name the judges of election, commonly are pledged to or are of the party of a certain candidate for president, and they will have no one on the board not of their faith. This is another point difficult to overcome, since if the board to name election judges were selected from among private citizens, there is no guaranty, though there may be a greater likelihood, that they will not be similarly biased and show a majority formed on the same grounds.

In the 27 elections reported for review by the provincial board December, 1905, there was only one serious charge of fraud, and that was in Tlul also, in which case it appeared that there was a rather bolsterous scene as the votes were being counted, as the losing party began to clamor that their votes were being disregarded and read for the winning side, and they claimed afterwards that of a hundred or more who had voted for the candidate that appeared defeated, as per the announcement of the election judges, he was credited with only 64. This same charge has been consistently made against the election judges there—that they supplant the will of the voters by distorting the count in favor of the candidate they favor.

Disinterested supervision of both registration of voters and thereafter of the election should be provided.

Provincial election.—This was held, as provided by law, on the first Monday of February, 1906, for the choice of a provincial governor. Two hundred and sixty-three councilmen and vice-presidents attended out of a total of 273 in the province. Strong divisions were apparent from the first. It took thirty-six hours to organize and elect the president and tellers. Candidates at the beginning were 8 in number. This number finally dwindled to 3. The election was stubbornly contested, and it took 17 ballots, occupying five days, to elect, including the time spent in organizing. It was thus on February 9 that a result was attained. The number of electors voting on the final ballot was 185. The winning candidate received 130 of these. Balloting went on all night on the first day, a recess being taken at 8 a. m. the following morning. Thereafter it was continued until very near midnight on the following two days. The result of the said election having been approved, the present governor took his seat on the first Monday in March, in accordance with law.

PUBLIC BUILDINGS.

In December, 1905, the high school at Albay was completed, the cost, including payments for elaborate modern plumbing and a steel windmill, being ₱35,000, appropriated from the Congressional relief fund received from the insular government in the year 1903.

The undersigned, then provincial treasurer, voted against making the appropriation of ₱35,000 for the purpose, holding that it were wiser to get authority from Manila to transfer the balance in the Congressional relief fund unexpended to the general fund and draw against it to pay the province out of debt. He voted against the location of the building at Albay and in favor of Guinobatan because, geographically, Guinobatan is central, and because also Guinobatan had been recognized in the olden days, time out of mind, as the educational center of the province.

The high school was constructed upon the remaining walls of the former tribunal, fronting the plaza, the site having been donated by the municipality in consideration of the location of the high school thereon.

The edifice is a frame one, attractive in architectural design and imposing in dimensions. It is provided with ample class and recitation rooms and an assembly hall at once large, commodious, and handsome, not marred by posts for roof supports. Every inch of space in front of and to the right and left of the rostrum is available for view of the same without the slightest obstruction. The basement is well lighted, well ventilated, and well finished, so that the compartments thereof may be readily adapted to the uses of a trades school.

The high school passed through the violent bagulo of September 25, 1905, practically without suffering damage, although the galvanized-iron roof of the carcel hard by was torn loose sheet by sheet and carried away by the fierce and fast-blowing wind. An thereafter the rain fell upon the provincial records, files, books, and papers mercilessly and in torrents. When morning had come and the downpour had subsided it was seen that every office in the building was flooded.

At the next regular meeting of the provincial board, it having first been learned that because of the sudden sharp rise in the price of galvanized iron it would cost about ₱8,000 to replace the roof on the carcel, it was decided, if a \$35,000 loan could be secured from the insular government, to build a second story upon the carcel for provincial offices, a court room, court offices, and offices for insular government officials stationed in the province.

With this idea actuating the members the provincial treasurer was requested by resolution of the provincial board to proceed to Manila and there present the proposition to the Commission. He went and did so accordingly, with the result that act No. 1418 was adopted, to conform to the suggestions of the provincial board.

Not long thereafter, the provisions of act No. 1418 having become known throughout the province, protests against repairing and altering the carcel in the manner proposed were heard, especially from old and substantial residents.

They insisted that the old provincial building, the walls of which are intact, should be restored, that the carcel might be vacated by the provincial officials. Now, these protests have come to be a unanimous clamor. It is safe to state that not 1 per cent of the inhabitants want the carcel remodeled and used for the accommodation of public offices.

Tender memories of the old régime are clustered about the Palace, as the former provincial building is fondly termed by the natives; only hideous recollections are associated with the carcel. The standing walls of the former oc-

cupy the front and center of a magnificent stretch of land and overlook the plaza, the same being inclosed by huge masonry, after the Spanish style. These walls are in an excellent state of preservation. Their condition is 25 per cent better than the walls upon which the high school is constructed, and both engineers and contractors have said that a suitable building for the accommodation of all the public offices, provincial and insular, and a court room, may be erected thereon for the sum of ₱35,000. No one on the ground doubts this assertion.

There have been filed in the executive secretary's office resolutions and letters from all quarters of the province, supplicating for leave to have the old provincial building restored and an abandonment of the intention to place a second story upon the carcel.

Every member of the provincial board prior to June 5—whether actual or acting—favored this change. And why should not this public opinion be respected? The Filipinos of the province will have to contribute the money to return the loan with which the improvement is to be made. They will occupy the provincial building, situated wheresoever it may be, for many years after American officials here, and in Manila, too, shall have made their exit from the present political stage of action. In sheer decency their wishes should be respected, and for my part they will be.

This is a purely local issue and this appeal should not be necessary, and it would not be if it were not for what appears to be a lately developed, strange, and determined opposition to public sentiment in the matter of a provincial building.

President McKinley must have anticipated this very case when he wrote in his instructions: "The central government of the islands, following the distribution of the powers between the States and the National Government of the United States, shall have no direct administration of matters of purely general concern, and shall have only such supervision and control over local governments as may be necessary to secure and enforce faithful and efficient administration by local officers." And further on in these instructions the President said: "The measures adopted should be made to conform to their [Filipinos] customs, their habits, and even their prejudices to the fullest extent consistent with the accomplishment with the indispensable requisites of just and effective government."

On May 21, 1906, I addressed a letter to the auditor of the Philippine Islands, of which the following is a copy:

"ALBAY, P. I., *May 21, 1906.*

"The AUDITOR, *Manila.*

"SIR: I have the honor to invite your attention to Act 1418, Philippine Commission, and especially the phrase 'the provincial government building' in the first paragraph thereof. The building commonly known as 'the provincial government building' is in reality the carcel.

"The first story of the provincial government building proper was destroyed in the time of the insurrection, and there remain standing only the walls of the first story.

"The sentiment of the people is so strongly and generally opposed to altering and repairing the carcel, excepting to restore it to its former condition by placing thereon a new roof of galvanized iron (the old one having been carried away by the baguio of September 25, 1905), and in favor of restoring the provincial government building proper that it has been decided by the provincial board to respect this sentiment, and to that end to appropriate from the general fund ₱3,000 or thereabout for a galvanized-iron roof for the carcel and to apply the ₱35,000 loaned to the reconstruction of the provincial government building proper.

"The question, however, as to whether you will approve voucher therefor without further legislation arises, and I write to inquire your judgment. The district auditor holds only the carcel may be altered under the act referred to herein."

June 3 the auditor's office referred the letter to the executive secretary in these words: "Respectfully referred to the executive secretary for comment. The funds appropriated by act No. 1418 were 'to be expended by the provincial board of that province in altering and repairing the provincial government building.' It is believed that 'the provincial government building' referred to in that act is the building which was at the time of its passage in use as a provincial government building and that which is still being used for that purpose. Furthermore, the provincial government building of earlier days is

now a moss-covered ruin, and its being shaped again into a building would be in the nature of original construction and not 'repairing and altering.' "

It will be noted that the question asked in the letter is not answered.

The executive bureau returned the letter to the insular auditor, saying: "The understanding of the Commission, when it passed act No. 1418, was that the loan therein made to the province of Albay was to be used in putting a second story on the structure then used as the provincial government building, and within referred to as the provincial carcel. To proceed as proposed by the board would be contrary to this understanding.

"The sum available, ₱35,000, is little more than one-third that necessary to construct and complete a new building suitable and worthy of the province. So far as the undersigned is informed the province will not be in funds to meet such an expense for some time to come, and it would be unreasonable to make further loans for this purpose, directly or indirectly.

"There is a difference of opinion as to public sentiment in regard to the continued use of the present building for provincial offices, and I am credibly informed that representative Filipinos, both officials and private citizens in Albay, deny the existence of such a sentiment.

"It is probably true that persons who have been confined at any time in the carcel have recollections not altogether pleasant whenever they see that building; but if such sentiment is to be seriously considered and serve as a basis of action it would seem that the proper course to follow would be to demolish the carcel. However, it is probably wiser, in view of the condition of the treasury of the province of Albay, to let time cure the wounded sensibilities of a comparatively few individuals and use available funds for projects that will give the greatest immediate benefits to the province as a whole."

The indorsements are not responsive to the question propounded in the communication, and contain a great deal of matter that is gratuitous. I do not arraign the auditor's office or the executive bureau; it is a plain and simple example of misinformation, acted upon in good faith, guided by no other motive than to subserve the best interests of the province, I take it—misinformation from sources supposed to be and which should be reliable.

A building site—the old administration premises—fronting the plaza, by resolution of the old provincial board had been ceded to the insular government for constabulary use, to accommodate second district headquarters, to be transferred from Lucena to Albay, the commissioner of commerce and police having secured the passage of an act of the Commission authorizing the execution and delivery of a deed in fee simple therefor, but the new provincial board, by a majority, rescinded the action taken, and the building to be erected upon the said site, to cost not less than ₱35,000 and perhaps ₱45,000, in all likelihood will continue to be "only on paper."

What is most needed in this province at this time is upbuilding improvements of a public character as object lessons in development, to encourage the making of improvements—the construction of business and dwelling houses and the like—by individuals. And all this is bound to come eventually. It is too bad, however, that it has been retarded and delayed.

The district engineer's office estimates that the cost to place substantial board floors in all the rooms of the present provincial carcel and awnings over all outside windows would be about ₱3,500. The same office does not agree with the president of the provincial board of health that the sewers of the carcel should be overhauled.

PUBLIC WORKS.

The Ligao-Tabaco road, a distance of 18 miles, was built by the insular government and the province jointly. The provincial government appropriated ₱90,000 as its share and the insular government furnished 500 Billbid prisoners for its part.

The undertaking was under the general direction of the director of public works and under the immediate control of the provincial supervisor. The prisoners were guarded by four scout companies while at work on the improvement and while behind the stockades. This use of prison labor on public works in the provinces was an experiment. Fortunately, the prisoners did not come into competition with free labor, because of its scarcity, and, quite as fortunately, the country through which the road was planned to be opened was unsettled, so that the presence of the prisoners had no evil influence upon communities.

There was one outbreak among the prisoners, 57 escaping to the mountains near by, of which number 55 were captured or killed in a few days. One of

the two missing was captured August 7, 1905, at Bato, Camarines. The other is at large.

The work on this road was begun December 30, 1904, and finished September 30, 1905. The line of the road throughout its length is in sight of and in places close to the base of the volcano Mayon.

Many engineering difficulties had to be overcome. There were wide cuts and deep fills to make. Long-span bridges, because of the impracticability of piers, had to be constructed. Sharp and abrupt grades could not be avoided, and wayward streams had to be controlled.

The work was well done. When completed the road was matchless. Had it not been for the washouts it underwent by reason of the terrible bagulo of September 25, 1905, it would be in comparatively satisfactory condition now, but in places, instead, it is impassable.

The appropriation was insufficient and the road was not—because of a lack of funds it could not be—metaled. And it has not been put in repair because the appropriation is exhausted. In fact, if the Billibid bill against the improvement shall be allowed there will be a deficit. To restore the road, reconstructing it as it should be, would necessitate an additional expenditure of ₱20,000.

The Guinobatan-Jovellar road was virtually a continuation of the Ligao-Tabaco improvement, and upon the same terms between the two branches of the government. This road was not completed because of an insufficient balance in the fund therefor. Six of the 9 miles it was to extend are usable, but while the road begins at Guinobatan it ends nowhere—out in the bosque. The object of the road was to give the people of Jovellar a highway in their own province over which to carry their crops and produce to market, so that they might not have to enter the adjoining province of Sorsogon to do their selling and shopping. It will cost not less than ₱13,000 to prolong this roadway to Jovellar.

The main thoroughfare in the province of Albay is from Legaspi to Libon, a distance of 30 miles. The traffic passing over this road annually is stupendous. To the port of Legaspi there is hauled over it yearly an average of 240,000 piculs of hemp, and from Legaspi upcountry there is carried in a like period 275,000 sacks of rice and the merchandise to subsist and clothe and furnish the homes of 150,000 persons.

This highway must be maintained at any cost. It is in first-class shape, despite late heavy rains, to Ligao, 19 miles, and beyond it is in a fair state and undergoing improvement.

A system of assigning one workman to each mile has been introduced, and it is proving to be the essence of true economy. The duty of this workman is to discover and repair at once small defects, that they may not become large ones, thereby keeping his section always in good condition. An overseer in charge of three of these sections inspects them frequently to see that the work is done and that the workmen are busy.

A road from Tabaco to Tiul was constructed this year. It is 9 miles in length. It had been much needed. Mile men, as in the Legaspi-Libon road, keep it in repair.

All the municipalities through which the Legaspi-Libon and Tabaco-Tiul roads pass, or into which they enter, contributed liberally from their municipal funds to the expense of building and maintaining the same. The work has been in charge of the district engineer, and the funds were disbursed by the provincial treasurer, upon the district engineer's and the provincial board's approval, the municipalities thus being relieved of this responsibility.

A summary of the work accomplished by the district engineer in the province from January 1 to June 30, 1906, is submitted, as follows:

January, 1906:

Crushing and distributing 24 cubic yards rock on 1.6 miles, road from Legaspi to Albay, with assistance of prisoners.....	₱159. 96
Constructing 1.51 miles road from Tabaco to Tiul, 48½ cubic yards rock distributed, American foreman and native labor....	599. 00
Repairing 5.5 miles Tabaco-Jovellar road, American foreman and native labor	593. 70
Laying 7,413.66 square feet cement floor in Albay high school, at ₱0.27 per square foot, less 10 per cent withheld.....	₱1, 801. 52
130 barrels cement, at ₱5.....	650. 00

January, 1906—Continued.

430 square yards inside stucco work, no payments.

8 barrels cement for inside stucco work, at ₱5----- ₱40.00

₱2,491.52**February, 1906:**

550 square yards inside stucco work, Albay high school, payment made on 1,000 square yards, at ₱0.70, less 10 per cent withheld----- 630.00

12 barrels cement for inside stucco work at ₱5----- 60.00

690.00

2.65 miles road constructed Tabaco-Tiul road, American foreman and native labor ----- 2,583.52

Distributing 40 square yards crushed stone between Legaspi and Daraga, with assistance of prisoners----- 100.00

Repairing 4 miles Tabaco-Jovellar road, American foreman and native labor----- 968.00

March, 1906:

1.83 miles road constructed Tabaco-Tiul road, American foreman and native labor ----- 2,954.50

Breaking stones and hauling lumber for Malinao

Bridge ----- 140.75

18 barrels cement, at ₱5----- 90.00

230.75

Mile men maintaining Legaspi-Guinobatan road----- 232.00

0.2 miles Legaspi-Libon road cleared and graded, 28 cubic yards top-dressing clay distributed, American foreman and native labor ----- 460.33

Legaspi municipal school repaired by contract by J. B. Tomas & Co ----- 380.00

April, 1906:

Malinao Bridge, labor ----- ₱198.25

Material ----- 645.12

843.37

Albay high school, 127 yards outside stucco, at ₱0.85, no payments.

Legaspi-Libon road, 1.96 miles graded, 556 cubic yards top-dressing clay distributed, American foreman and native labor----- 1,572.75

Tabaco-Tiul road men for month----- 194.50

Legaspi-Guinobatan road men for month----- 255.00

May, 1906:

Spillway for municipality of Tabaco, 35 barrels cement, at ₱5 ----- ₱175.00

American foreman, native labor ----- 853.25

1,028.25

Legaspi-Libon road men for month----- 267.42

Tabaco-Tiul road men for month----- 195.58

Gogon road, Legaspi to Daraga, 0.64 mile graded and repaired, American foreman, native labor----- 361.98

Malinao Bridge, labor----- ₱8.00

Material ----- 214.66

222.66

Legaspi-Libon road, 2.26 miles graded and repaired, American foreman and native labor----- 2,362.73

Daraga municipal building, contract with J. B. Tomas & Co. for new roof, ₱4,750, no payments.

Albay high school, 509 square yards outside stucco, completing contract, no payments.

June, 1906:

Gogon road, Legaspi to Daraga, 2 miles road graded and repaired, American foreman and native labor----- 665.53

Catanduanes Island roads, Virac to Bato, 0.14 mile graded and ditched, American foreman and native labor----- 155.00

Legaspi-Libon road, 0.3 mile graded and surfaced with clay, American foreman and native labor----- 1,025.00

Legaspi-Libon road men for month----- 368.70

Tabaco-Tiul road men for month----- 181.81

Daraga municipal building, contract under way, no payments.

The road between Legaspi and Tabaco should be opened as soon as the province and the municipalities may afford it. Between Libog and Tabaco no problems would be encountered; it would be nothing more than simple road and bridge construction. Tabaco is eager to have this work done, and is willing to appropriate not less than ₱3,000.

There is but one thing in the way, and this is how to get over the lava beds between Legaspi and Libog cheaply. The Spaniards had a fine road between these points, but then their labor and cash facilities for doing the work necessary to build and maintain such a road were far superior to ours. The district engineer expects, however, to be able to put a roadway through eventually.

It would be important in several respects. It would give a direct line of road to Tiul, where flourish the famed hot springs, the waters of which contain undoubted medicinal virtues.

It would tend to bring the Tabaco and Legaspi districts in more intimate touch, commercially and socially. It would complete a circuit of roads about the province, and have the effect of substituting provincial patriotism for that of localities as the result of the intermingling of persons from all.

NATURAL RESOURCES.

The woods of the province of Albay are abundant and of great variety. The island of Catanduanes is a wilderness of giant trees of different groups, suited for lumber for building purposes and for finer work, such as furniture. This island is rich in its natural resources, but has not been developed. Virgin forests are everywhere, and not in the archipelago is there a more inviting field for saw-mill ventures—not excepting Basilan. Land is cheap; the public domain is almost boundless, and shipping facilities may be had at nine different towns. The interior of Catanduanes is hardly known. It is rough, mountainous, and thickly wooded, the trees being tall and of immense circumference. Rapu-Rapu Island, next after Catanduanes, excels in the great quantity and rare quality of its trees. Manito is daily drawn upon by the mainland for lumber for building purposes, and it has furnished some large and powerful logs for bargues.

Coal is found in Catanduanes, Rapu-Rapu, and Batan; also on the mainland at Daraga, but only the coal of Batan Island has been developed. There is located there now the Government coal fields, which lately became a military reservation, in command of a lieutenant with a detachment. Mining on the island of Batan has been in progress since 1904, the work being done under the direction of Spanish owners of what is called "Minas de Batan."

In 1901 the United States military authorities decided to investigate the coal deposits of the various regions, and this was done, an expert engineer visiting Batan Island, Cebu, Negros, Mindoro, Mindanao, Semirara, and Surigao for the purpose. The report, when submitted, recommended that the site of Liguán, Island of Batan, be selected as a location for Government mining. This was done, and explorations were begun in the summer of 1903, with most gratifying results, even though long delay by reason of accidents, inexperience of employees, and a long-time failure to obtain the most modern apparatus. Quoting from the report of the geologist of the mining bureau "there are seven veins explored up to the present time. They are nearly parallel to each other, with an average thickness of 1 meter. The coal of Batan Island compares most favorably with many coals used for steaming at sea and on land." The same geologist in his report says: "Of the quantity of coal there can be no question. The tonnage per foot of thickness per acre for bituminous coal is generally estimated at 1,500, and as there are several square miles of surface on Batan Island, to say nothing of the other localities underlain in all probability by coal seams 3 and 4 feet thick, at least, it does not take very much figuring to settle this point."

Analysis of these coals show that they are of the same class with coals from Japan, Wyoming, and British Columbia. Besides the Government reservation there are a number of individual claims adjoining.

STATE OF ORDER.

March 3, 1906, the constabulary, by Capt. James F. Quinn, received the surrender of a roving band of ladrones and renegades, under a leader named Ciriacó Sacro. This was the last of the outlaws, who constituted the remnant of the

insurrectionists who had not regularly presented themselves, and consequently the province is free from any such bandits.

There exists a state of genuine tranquillity and a general desire for increased business activity and opportunity on the part of one and all. The criminal court record for the twelvemonth ending June 30 likewise indicates the peaceful character of the people and their respect for law and order.

In the court of first instance there were 46 convictions all told. Of these, 29 were for felonies and 17 for misdemeanors. Ten of the 29 were Bandolerismo cases and 2 sedition. There are 8 prisoners charged with grave offenses held for trial at the approaching term of the court—2 for estafa 2 for violation; 1 for robo en cuadrilla con lesiones; 1 for homicide; 1 for asesinato, and 1 for lesiones graves. Two other prisoners are detained for minor transgressions, a total of 11 in the carcel, which, with such as are serving short sentences, makes a grand total of 24 prisoners.

CAMP DARAGA.

Camp Daraga is a temporary United States military post. It should be made permanent because of its strategic location and its matchless healthfulness. Daraga is 2 miles inland from the sea, the port being Legaspi. It is a six-company post, or it was such before the great bagulo carried away some of the barrack buildings. It is a beautiful site, high, commanding a full view of the bay and ever the recipient of an ocean breeze. If a permanent military post is to be maintained in southern Luzon, Daraga certainly is the place for it. The distribution of troops by land or water to any of the southern tier of provinces may be readily accomplished, and they may be received at Legaspi from Manila in thirty-six hours. Water is good, target ranges may be established near by, the haul from Legaspi is over a first-class road, there is ample ground which is already leased, and more may be secured.

It is trusted that the division commander may find it convenient to visit Daraga before determining upon locations for permanent posts.

LAND TAX.

There were declared in 1901 for this province 81,280 parcels of land for taxation, with an assessed valuation of ₱13,000,000. Because the law was new and many persons did not understand its intent and the effect of declaring lands, thinking, in instances, that to do so would expose their titles to challenge and nullification, not a few tracts of land in every municipality were not declared by the owners, and boards of assessors neglected or failed to view and place a valuation upon the same.

The law has been explained to municipal officials so often and they in turn have explained it to the people with such clearness that no property owner, it is almost safe to say, cares to permit his real estate to go undeclared. It is believed, therefore, that the number of declarations this year will reach 150,000, and that the declared valuation of all will far exceed that of five years ago. The boards of assessors are earnest and interested in their work, without exception, and all provincial officials, whose duty requires or allows them to render assistance or counsel are cheerfully doing so.

SUBGOVERNMENT OF CATANDUANES.

Catanduanes was visited and inspected for a period of five days in June. Because of remarkably fair weather throughout the voyage it was without precedent, and this explains why the work was accomplished in the short time employed. However, the pleasure of festivities proffered by the people had to be foregone. There was no sickness nor want. No complaints were made against officials. The state of order was most pacific. The jails were empty, and no cause of a criminal nature is pending in the court of first instance against any islander. There is little litigation of a civil character, and that is unimportant.

Complaint having been made that the islanders did not understand the homestead law and the forest law, this was investigated.

Knowledge of the homestead law is meager in the island of Catanduanes, just as it is in almost every section of the archipelago. Nevertheless, after the provisions of the same were explained there were general expressions of a desire to avail themselves of the advantages of the act on the part of the people. However, what they want is hemp land, and hemp land is found on

the mountain slopes where timber grows, which necessarily would have to be cleared to make room for hemp. This the law does not permit.

This office has received 1,000 applications for homesteads, which will be sent to the lieutenant-governor, at Virac, for distribution.

It is not surprising that the officials are not familiar with the forest law and the homestead law. Not more than one per cent of the population read Spanish, none read Tagalog or English; so that it is as difficult for them to have a knowledge of these two particular laws as it is for them to have any reasonable comprehension of the municipal code. This latter is not printed in Bicol. What little knowledge they have of it comes through faulty translations of legislative verblage by, perhaps, the only man in the place who can read Spanish, even poorly. My predecessors have recommended that the municipal code be printed in Bicol, for the information of municipal officials in the provinces of Ambos Camarines, Albay, and Sorsogon, and I renew the recommendation in behalf of this province.

The municipal treasuries of the island of Catanduanes are empty, the municipalities insolvent, and, in some of them, salaries have not been paid for two years, a year and a half, or a year, and there is no likelihood that they will be in the immediate future. This sounds paradoxical, taken with my declaration hereinbefore made, that the people are content and, in a degree, prosperous; nevertheless it is so. There are practically no municipal taxes levied and collected. There are no public markets. The internal revenue yield is inconsequential. The value of real estate is very low, and consequently the returns therefrom, in the form of taxes, inconsiderable. The population is approximately 40,000; which means that, if all were sold, not over 8,000 cedulas would be disposed of. There are no roads to speak of, only trails. It is intended to repair the road from Virac to Bato, a distance of 4 miles, and put in bridges wherever necessary. Later the road from Virac to Calolbon, a distance of 12 miles, may be placed in good condition; but it is expensive, and it is uncertain when the province will be in shape to make the outlay. A road from Pandan to Caramoran, also about 12 miles, might some day be made passable for vehicles at no great cost; but this improvement, likewise, will have to wait at least until a road labor law shall be provided.

The island is one grand *late* (expanse) of hemp of the best quality. In the main the land is owned by the general government—public domain. Labor is scarce, or would be considered to be if this hemp could be harvested. No finer opportunity for colonists is offered anywhere. The cost of living is very low. The climate is salubrious, the water supply is abundant, and the quality for drinking purposes good. Epidemics are unknown. No surra has been introduced as yet, and hemp grows spontaneously, especially in the neighborhood of Bato, after clearing by fire.

All towns are on the coast, excepting Viga, which is several miles inland, and may be reached by a river. The island may be crossed from one end to the other by following trails, on horseback or on foot. The journey is always attended by difficulties, aggravated in bad weather when the streams are swollen and the trails are muddy, often to a very inconvenient depth.

A baguio, in April, 1905, did apparent irremediable damage to the towns of Bagamanoc, Payo, Viga, Pandan, and Caramoran. It was thought that relief of the insular government would have to be solicited. But the fortitude of the people asserted itself splendidly, and they got along without assistance. They rebuilt their ruined or repaired their damaged houses, and did the work with such promptness and thoroughness that no sign of the destruction wrought by the terrible storm is evident to-day.

Catanduanes is progressive, even though isolated. Cited in support of this representation is the fact that in the fiscal year now closing there has been contributed voluntarily by the inhabitants, for public school construction, materials and labor valued at ₱12,000. Two Americans supervising teachers, Mr. Robinson at Virac and Mr. Cutler at Viga, are the only teachers who have remained in the province beyond one school term, the others having requested or been granted transfers or resigned and returned to the United States. They have absolute and undisturbed control of the island schools, and they discharge their duties to their own great credit and to the complete satisfaction of the people. Both speak Bicol; and this qualification, added to their many other excellent parts, make them invaluable. They are heart and soul in the discharge of their duties; and because of the small attendance of the pupils in the public schools of the island now they are somewhat discouraged. For example, at Pandan but 31 pupils were in the school proper there, whereas last year

the attendance was over 100. At Calolbon, in the school proper there, the pupils numbered but 17, as against 120 enrolled last year. The cura in the same town has a school with an attendance of 114. There was a marked falling off in the attendance in the public schools in all the other towns visited. No fault rests upon Mr. Robinson and Mr. Cutler, because teachers can not be more earnest and active than are these young gentlemen. Officials did not appear to be disposed to explain the small attendance. They talked of fiestas interfering, but there had been but one since the opening of the school term. They were told why they should concern themselves in support of the public schools by advising and encouraging parents to send their children to them, and at the same time reminding them of the uses and advantages of education in the forming of character and the making of good and useful citizens.

In conclusion, fusion of the municipalities of the island of Catanduanes is recommended again to secure economic administration, reducing the number from nine to four municipalities, the consolidations to be effected in the manner suggested in the report of Treasury Examiner Dean, submitted to the insular treasurer in September last, and in turn by him to the governor-general, with his approval; then later to the Albay provincial board, the same having been returned in March of this year unanimously approved by the members. The lieutenant-governor and the deputy of the provincial treasurer in charge of the suboffice at Virac both have the best interests of the island and the people thereof constantly in mind in the discharge of their duties. No complaints of any kind were made against them.

The chief, and for shipment the only, product of the island of Catanduanes is hemp, and there is carried by ships from Virac, the chief port, an average of 80,000 piculs per annum to Manila for export to the United States and Europe.

The quality of the hemp of Catanduanes has been materially improved through the efforts of the lieutenant-governor, who organized a society of planters with this object in view.

The island proper has an area of 704 square miles, and, with contiguous small islands, a total area of 714 square miles.

As mentioned in the foregoing, the soil is peculiarly adapted to the cultivation of hemp without the necessity of much labor being expended thereon, and hence it invites the attention of the insular government in its quest for desirable locations for settlers, where little capital would be required and where profits would be certain and life and property secure.

FUSION.

The fusion of the municipalities of the mainland, as recommended by Treasury Examiner Dean in September, 1905, which said recommendation is in possession of the chairman of the committee on municipalities, would effect most gratifying financial and economic results.

Jovellar, it was proposed in Mr. Dean's scheme, was to be consolidated with Guinobatan. Jovellar is 9 miles distant from Guinobatan. It is on the Sorsogon border, and because it has no road for its people to travel to Guinobatan and return its business is with Donsol, and there is no prospect that the Guinobatan-Jovellar road will be completed within a reasonable time. Furthermore, Jovellar feels entirely competent to take care of itself. Because, therefore, of its isolated position and the reasons hereinbefore enumerated its fusion with Guinobatan might be waived without doing harm.

The residents of Polangui likewise are earnestly averse to fusion with Libon for many reasons, which it is not necessary to mention in detail. They relate to the unsettled districts between the two towns, the want of a good roadway, the smaller population of Libon, and, perhaps, to an alleged feeling existing in the two places among the inhabitants, which is not one of entire amity. In this case also, since Polangui is disposed to exhibit new interest in municipal matters and public improvements, it might be as well not to insist upon the fusion of Polangui and Libon.

With these exceptions it is trusted that Mr. Dean's recommendations may receive early favorable consideration by the Commission.

PUBLIC INSTRUCTION.

Education was popular and patronized in this province long before American occupation. There was a great seminary at Nueva Caceres, across the line, where instruction was general and where one might elect to take a theological

course. Then at Guinobatan, this province, there was a college, as it was known, which, defined by the branches taught, would be considered an academy. These institutions afforded opportunities to the rich and well to do only to acquire the knowledge offered, and accordingly the public school system introduced by and through the United States Government was hailed with general delight, and the high school feature thereof has been a comfort as well as a blessing to all who have availed themselves of the open door to enter therein, and is cherished by students and their families alike.

The municipal and barrio schools are well attended. No hostility toward them on account of religious prejudice is betrayed by the people. Priests are numbered among their friends and champions. Parish schools, where established, do not put themselves in competition with the public schools; and provincial officials, in their attempt to point out to municipal officials that it is their duty to encourage parents to send their children of proper age to school, have been reminded that the parents have the right to elect in what school they will place him, but that it is the opinion of provincial officials and almost all persons who have given the subject cool and unbiased thought, that the public schools are to be preferred because of their very character as such and the further fact that their scope and purpose are more liberal, the object being civil training to fit pupils for good citizenship.

It is the experience here as, no doubt, it is in every other province that the personnel of the American teachers is subjected to too frequent change. In one term a teacher can not become sufficiently well acquainted with his pupils and the community in which he lives to be of the greatest value of which his talents and accomplishments are capable, clever as he may be. He should be kept much longer, and as an inducement to stay his pay should be increased without the necessity of transfer. People marvel at the policy in vogue, which orders transfers of the greater number of our teachers at the end of each term, leaving populous towns, as deserving as others, wholly without American teachers for months of the new term.

Not having been furnished school data by the superintendent of schools, it being impossible for him to furnish the same since they had not been compiled, the attendance and the number of schools this year, as compared with last, can not be presented but from what was revealed to me when inspecting the municipalities in the month of June, there was no waning of interest on the part of the public.

The high school attendance is large and the teachers are certainly competent and devoted to the discharge of their duties, but most of the pupils should be in grammar schools; and when the high cost of living in Albay is taken into the account and it is remembered that these pupils come from municipalities far removed from the town of Albay, at an expense to their parents of ₱20 per capita, for board and lodging alone, the feeling of the people that there should be intermediate schools at Ligao and Tabaco will be readily understood. These, with an intermediate school established at Virac, island of Catanduanes, would provide this class of school conveniences at the least practicable cost to parents.

The high school, as has been stated, is a spacious building, used for high school purposes exclusively, or, and as an intermediate school for the town of Albay and vicinity, it should meet the demand for years to come, moreover, Albay is a town of bamboo-nipa structures, and has not many desirable accommodations for the quartering of pupils in families where they may feel at home.

THE BICOLS.

As compared with other tribes, in many respects the Bicolis are distinctive. By temperament they are pacific and industrious. They are not as shrewd and cunning as some others, and it follows they are less mischievous. They are markedly intelligent, however, and apt at learning. They live well, like to have good homes, and are fond of harmless recreative sports. They are sober and not given to quarreling. They respect and keep the law, which explains why their jails are seldom occupied.

While they exhibit a sort of penchant for gambling, not uncommon in the Orient, nevertheless the province of Albay is not one grand Monte Carlo, as some persons, probably because it sounds sensational to say it, have tried to make appear to other sections of the island. The truth is, public, notorious, and scandalous gambling is not engaged in anywhere in the province, to my

knowledge, and the policy of this office has been and is to discourage and punish it, and especially to bring to the understanding of municipal officials that nothing can become them more than to abstain from indulgence in gambling, because of the pernicious influence that open and reckless gambling has upon all classes, and especially upon the youth of the land. And at the same time regard has been and is had for the deliverance by Coke to the effect that "The house of everyone is to him his castle and his fortress for his defense against injury and violence, as well as for his repose," and its forcible entry has not been countenanced or suggested.

The cockpits, as now licensed, by reason of the internal-revenue law, are injurious from view points both economical and moral. The municipal council may permit as many persons to conduct cockpits as will pay the license tax; but this total in practice is a much smaller sum than was collected from one central cockpit formerly. For example, at Tabaco, this province, a city of the second class, under the old order of things, before receipts from cockpits became in the main insular revenue, the exclusive privilege for one cockpit was sold at auction to the highest responsible bidder and brought ₱6,000 per annum for the municipality, and a good and sufficient bond for faithful performance was exacted, thus determining the responsibility of the concessioner. The advantage economically in favor of the scheme described suggests itself. And what was done in Tabaco was the custom elsewhere in the province.

Furthermore, the licensee, under this system, did not have to allow municipal officials to share his profits, as dormant partners, for their influence. And then he constituted himself a sort of secret-service agent, to find out and report other persons who engaged in conducting cockpits in barrios "on the quiet" without permission therefor so to do. His friends were apt to notify him of any such infractions of the law likewise, and he lost no time in bringing the same to the notice of the president.

Morally, the one central cockpit is the better plan, because the police can exercise more careful surveillance over it, to prevent gambling or to prevent disorder; and the proprietor, jealous of his privilege, is very likely to be a person willing to conduct his business entirely within the law.

Now, using the same town for illustration, seven cockpits flourish there, each yielding to internal-revenue funds, for subsequent division among the insular, provincial, and municipal governments, only ₱1,400 annually, a distinct loss economically rated.

Moreover, public vigilance can not be exercised sufficiently to keep an eye on every one of the seven cockpits, so that the opportunity to easily and without much fear violate the law with impunity is increased.

What can not at one fell blow be suppressed may be regulated and restrained. That is how the cockpit evil looks to me.

It is a diversion of archaic origin; it is even styled a national sport; and legislation touching it should be enacted with the Filipino and his customs a good deal in mind. Nor is the cockpit a wholly new institution to those of us who are Americans. The "sport" has no few patrons in the United States. It is forbidden, it is true, but battles reaching the dignity of tournaments are "pulled off," now and then, in our most enlightened communities at home. There is no occasion for hysteria in dealing with the question. The Spanish legislation on the subject was wiser than ours. We can learn from it and what it prevented and accomplished.

The opinion of the mass of the people in the province of Albay, it is confidently thought, is expressed in the foregoing.

There is current in some quarters an impression that the Filipinos of position and influence of this province are strongly prejudiced on the side of cockpits and gambling, but this is not my judgment and estimate after years of residence among them.

Here in Albay I have often heard leading Filipinos refer with pride to the time when there were no cockpits, no cock training, and no gambling in the province, universal obedience to the manifesto of Aguinaldo, ordering these things discontinued, being given by rich and poor alike.

CONCLUSION.

It would be an inexcusable oversight to conclude this report without stating that I appreciate beyond expression the confidence reposed in me by the people of this province when they selected me to be their governor.

In return, I have but one ambition to gratify; I do not seek to try to rule, but hope only to be able to serve them to the best of my skill and ability.

And I trust that, whatever my deeds and words may be officially, they will be construed in this light.

Respectfully submitted.

CHAS. A. REYNOLDS,
Governor, Province of Albay.

The EXECUTIVE SECRETARY,
Manila, P. I.

REPORT OF THE GOVERNOR OF THE PROVINCE OF AMBOS CAMARINES.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF AMBOS CAMARINES,
Nueva Caceres, July 14, 1906.

SIR: Pursuant to the provisions of act 1044, I have the honor to submit this report, which the law provides shall be annual, and which therefore should embrace the fiscal year 1905-6; however, in view of my having taken charge of this government only on March 14, 1906, the present report will deal solely with the period of three months and a half that I have been provincial governor.

The short time that I have mentioned does not give me an opportunity of presenting a complete and finished report, as I should like to do, in order to furnish minute information with regard to the events worthy of mention that have taken place during the period referred to and which have a bearing upon the progress of the government and the administration of this province, as I am required to do by the circular letter of the executive bureau dated June 9, 1906; however, I shall endeavor by every possible means within my reach to make a report as complete as possible.

Above all, I have the most lively satisfaction, honorable governor, in stating that veritable peace and tranquillity reign in all of the pueblos throughout this province and that the same have not been disturbed at any time by bands of ladrones or brigands.

AGRICULTURE.

The continual calamities from which this province has suffered—particularly in the rice-growing pueblos—as a consequence of the very great ravages caused by the rinderpest to carabaos is the principal cause of the precarious condition of the inhabitants who, having been deprived of their carabaos, are now experiencing a scarcity of rice, the chief article of food in this province. However, it must be acknowledged that the people of Ambos Camarines are long-suffering and have shown resignation in their adversity. They have not given way to despair nor had recourse to organized brigandage, an extremity adopted only by those who are driven thereto by the necessities and stern requirements of life when they fail to realize its dreadful consequences; on the contrary, when at the end of their resources, they have emigrated to other pueblos where hemp is grown, realizing that they will there find a livelihood for themselves and for their families.

Fortunately, there is at present considerable activity in agriculture, as I have had occasion to see during the visit of inspection to some pueblos that I have just made. I have recommended presidents and municipal councillors to encourage property owners to cultivate the land and to furnish them such facilities as they are able by repairing irrigation dams, etc. The inhabitants of the pueblos referred to are at present engaged in sowing rice, making the best possible use of the few carabaos left in the province; those who do not possess these animals are making their plantations without the use of irrigation, in accordance with the system here called "jasoc."

COMMERCE.

The principal article exported from this province at present is hemp. There can be no doubt that this product has most helped the inhabitants of this province in their critical economic condition, past and present; for had it not been for this article I do not know to what proportion a dearth of food might have reached, for though it is true that other articles are exported, such as copra, rattan, and ilang-ilang, their importance is small and would not

have been sufficient to have made up the shortage resulting from noncultivation of the rice fields. The importance of rice growing in this province may be judged from the fact that formerly the amount grown in the province was sufficient not only to supply all local demands, but also to export large quantities to the neighboring provinces of Albay, Sorsogon, Daet, and Catanduanes.

Unfortunately, the production of hemp has decreased materially during the fiscal year, owing to the storm of September 26, 1905, and to the subsequent drought, these two causes having reduced production to approximately one-half. Taking the annual report of my predecessor as a basis, I estimate that only 50,000 packages—that is to say, 100,000 picules—of rice were exported during the fiscal year. The storm of September 26 destroyed all that was left of the plantations of hemp that the drought had spared.

ECONOMICS.

The monetary crisis from which this province and the archipelago in general suffer is one of the powerful causes of the depression of business in this province, and also responsible for the fact that agriculture is not as developed as it should be. The farmers lack funds with which to purchase carabaos and meet the expenditures incidental to agriculture, and as the few capitalists at present loaning money exact such exorbitant rates of interest, it is altogether impossible for agriculturists to borrow money. Hence arises the necessity of the establishment of agricultural banks, which I have not the least doubt would be the means of saving agriculture in this province and indirectly of aiding business in general.

FACTORIES AND INDUSTRIES.

Both are in a primitive state in this province, their production being limited to the demands of local consumption.

The only factories existing in the province are the following:

Four brick, tile, and adobe factories, two of which are located in this city, one in Libmanan, and another in Nabua. All of them are closed down in the absence of demand for their products.

A few tobacco factories run by Chinamen.

Vino distilleries, many of which have had to close down on account of their inability to comply with the requirements of the internal-revenue law.

In the pueblos of Libmanan, Nabua, Bato, and Daet earthen pots and other household utensils are manufactured. At Iriga and Pamplona rattan beds and chairs are manufactured, imitating those of the same kind imported from Hongkong, and though they are a fair imitation the quality of rattan is not as good as that from which the Hongkong articles are made.

The pueblo of Camaligan, now consolidated with Nueva Caceres, manufactures hats and cigar and cigarette cases, made of the fiber of the burl palm, which are very strong and of fine texture. Owing to the great amount of work upon them they are very dear, the hats costing from 10 to 15 pesos apiece and the pocket cases from 1 to 2 pesos each.

Textiles of piña, jusi, and sinamay are made in all the pueblos of this province, the coarser kind being used for the dress of the common people, while the finer grades are used by the middle and upper classes.

During the time of the Spanish Government three rice mills were in operation in this province, two of them in this provincial capital and another one at Libmanan, although the latter was never in operation, as the revolution broke out about the time of its completion. At present they are all closed down, as there is no rice to grind in the province.

PUBLIC HEALTH AND SANITATION.

Fortunately the health of the province is satisfactory, for though there have been many cases of smallpox in some pueblos like Libmanan, where the disease has greatly diminished on account of the action of the municipal council in providing for the appointment of a temporary vaccinator, who has been supplied with vaccine by the president of the provincial board of health.

The following memorandum was furnished this office by the president of the provincial board of health with relation to the health of the province during the fiscal year.

The change introduced by the honorable insular board of health in the matter of submitting reports, requiring their presentation quarterly instead of monthly,

is the reason why the following report contains only the statistics from June 1, 1905, to March 31, 1906.

The deaths in the province during that time were 7,867. Of this number, 1 was an American, who was drowned; 3 were Europeans; 27 Chinese, and the balance Filipinos.

The number of births recorded was only 6,940.

The diseases causing the largest mortality were intermittent fever, 3,593 deaths; convulsions of children, 1,018; pulmonary tuberculosis, 542; dysentery, 188, and smallpox, 16.

Of the 7,867 deaths, 4,027 were males and 3,840 females.

The following table shows the civil status of the persons dying:

	Males.	Females.
Married.....	1,216	941
Widowed.....	609	982
Single.....	541	460
Children.....	16	1,437
Total.....	4,027	3,840

Of the total number of deaths, 204 were transients and 7,663 residents.

Intermittent fever, the disease that is responsible for the largest number of deaths in this province, began to spread in the month of May and reached its maximum virulence in the month of July, holding it until August, when a tendency to decrease first appeared, becoming more accentuated in the month of September.

The provincial board of health did not remain inactive, for so soon as it perceived the spread of the disease it repeated its instructions to the municipal presidents with relation to the use of prophylactic and curative measures to combat the disease. From that time on liberal distributions of quinine were made among the municipalities. The disease reached an epidemic character in the province, no pueblo being free from it, though it is true that the towns in the district of Lagonoy were the most severely chastised, specially the pueblo of Goa.

Another principal cause of mortality is the deplorable disregard of the most elementary rules of hygiene in the care of children. The figures representing the number of deaths among children are really terrifying; 2,767 under 6 years of age having died during the fiscal year. Although it is true that the poverty of the inhabitants of the province, due to the paralyzation of agriculture during the past few years, is a factor which should not be forgotten, as it results in deficient nutrition of the mother with evil effects upon her children, and furthermore implies the too early feeding of infants on inadequate and generally harmful substances, it is none the less true that ignorance and supine indolence in the care of children are in a great measure responsible for the high mortality. The establishment of maternity hospitals, where children could be properly cared for, and a practical education of mothers in the care of infants, would go a great way toward diminishing this deplorable mortality.

The number of vaccinations was 8,463. The fact that not more than this number of persons were vaccinated is owing to many vaccinations made prior to June, 1905.

The province has at present 68 lepers and 121 insane.

The number of blind people is 252—136 males and 116 females.

Three deaths among horses were caused by glanders and 14 by surra; 15 carabaos died with rinderpest and 45 of foot-and-mouth disease; 14 cattle died of rinderpest and 18 of foot-and-mouth disease.

Only in four of the thirty-five municipalities of the province are there municipal boards of health organized, and only one of the presidents of such boards is a duly qualified physician. His name is Dr. Narciso San Agustin, president of the municipal board of health of Daet. Messrs. Epifanio Villafuerte, president of the municipal board of health of Iriga, and Candido Amador, of that of Nueva Caceres, are only undergraduates of medicine. As regards Señor Juan A. Garchitorena, who holds the office of the president of the municipal board of health of Sagñay, he serves without remuneration.

As a general thing it can be stated that the public health of the province is at the present time good.

FORESTRY.

The forests of this province contain a wealth in woods of all classes. In the central mountain chain round Mount Isarog, in the territory comprehending the pueblos of Tigaon, Goa, San José, and Lagonoy, in the district of Lagonoy and those of Calabanga and Pili the following classes are found: Narra, molave, anajaon, danlog, guiho, carogcog, camagong, barayong (or tindalo), palomaria, catmon, bulala, balnot, malobago, while at other places such as Tinalmud, a barrio of the pueblo of Libmanan, an abundance of other kinds of timber are found, such as the following: Mangachapuy, calantas, ipil, tindalo, molave, patitinan, and baticulin. At this latter barrio a company has been organized for the purpose of shipping lumber to Manila by sailing vessels from the bay of Guinayangan, bordering on the province of Tayabas.

As a result of the abolition of forestry taxes in consequence of the storm of September 26, the forestry bureau is unable to furnish data with regard to timber utilized from state forests during the period covered by this report.

With regard to mineral resources, there are many deposits of gold, silver, copper, and platinum in the pueblos of Paracale and Mambulao, but only the gold mines are being worked by several American and Filipino miners. There are also deposits of gold and coal at the places called Tanday and Cabambam in the jurisdiction of the municipality of Mabua and at Hanopol of the pueblo of Caramoan.

It is also said that petroleum and mercury are found at Mount Isarog, though up to the present time nothing in the way of development has been done.

PROVINCIAL JAIL.

This establishment continues under the care of the constabulary, the following table showing the number of prisoners during the fiscal year:

Number on July 30, 1905.....	19
Entered between July 1, 1905, and June 30, 1906.....	62
Total	81
Detained prisoners.....	9
Serving sentence.....	9
Sent to Billbid.....	13
Discharged prisoners.....	27
Acquitted	18
Deaths	3
Escaped	1
Sent to province of Albay.....	1
Total	81

Number of prisoners on June 30, 1906.

Serving sentence.....	9
Awaiting trial.....	9
Total	18

PROVINCIAL TREASURY.

Statement of revenues and expenses during the fiscal year:^a

POLITICAL CONDITIONS.

The late elections held in the 35 pueblos of the province took place on the first Monday of the month of December. In 23 pueblos the result was protested, the majority of the protests having been carefully considered and remedied by the provincial board. The various irregularities committed in the election both by the protestants and by the electoral boards were in the majority of cases the usual result of party questions always liable to excite the minds of members of opposing parties.

^a This statement is on file in the War Department.

In 14 of the pueblos of the 23 which protested the provincial board confirmed the elections while new elections were ordered held in the 9 other pueblos.

The 9 pueblos where the elections were annulled here follow: Baao, two municipal elections; Calabanga, one special election; Caramoan, one special election; Daet, one special election of a president; Gainza, one special election; Indan, one special election; Milaor, one special election; San Fernando, one special election; Sipocot, one special election.

The provincial board devoted special attention to the said protest, an impartial opinion having been expressed in each decision.

The said elections were conducted by electors duly qualified under the provisions of the municipal code.

The inhabitants of this province are learning their duties as citizens, owing to the opportunity that they have had of exercising their political rights in the matter of elections, municipal as well as provincial, and party work is each day progressing.

Respectfully submitted.

MARIANO ABELLA,
Governor of the Province of Ambos Camarines.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF ANTIQUE.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF ANTIQUE,
San Jose de Buenavista, July 14, 1906.

SIR: Pursuant to the provisions of act 1044, I have the honor to submit the following annual report for the fiscal year ending June 30, 1906, corresponding to the province of Antique:

PROVINCIAL GOVERNMENT—PERSONNEL AND EXPENSES.

The regular force of the provincial government is composed of the provincial governor, with a salary of ₱3,200, and a deputy of the provincial secretary at ₱360; the provincial treasurer, with a salary of ₱3,600, and one chief clerk at ₱2,400, one traveling deputy at ₱600, one clerk at ₱480, and two clerks at ₱360 each, and the provincial fiscal with a salary of ₱2,400, and one clerk at ₱360.

The provincial treasurer, moreover, has 11 employees, acting as deputies in each one of the 11 municipalities of the province, who receive a total of ₱1,878 per year.

The salaries of 1 porter, 2 messengers, and 6 guards for the provincial jail represent an expenditure of ₱1,032 per year.

The expenses of the province for salaries and wages of regular officials and employees are estimated at ₱17,030, excluding maintenance of the board of health, as the salary of the president has always been paid by the insular government. The province has also saved the salary of the provincial secretary since my appointment and subsequent election to the office of provincial governor.

The province has been easily able to meet its expenditures, without overlooking any details necessary for the regular operation of the government. And if in November of last year the provincial governor assumed the responsibilities of the provincial secretary, or rather, the latter accepted the office of governor, bringing about a consolidation of the two under the control of the secretary-governor, it was in order to adopt some measure which would go toward preventing the probable bankruptcy of the province of Antique, as its collections, rather than its rightful revenues, were scarcely sufficient to pay salaries and wages. The province is now confident that it can meet its expenses, as it is able to keep abreast of current obligations.

At the end of the fiscal year the position of chief clerk and deputy of the provincial treasurer was declared vacant, Mr. F. M. Snook, who had held that office, having been promoted to treasurer of Misamis. This presented an excellent opportunity for reducing the salary of the chief clerk and deputy to a minimum of ₱700, or maximum of ₱1,400, as the financial condition of the province does not warrant the assignment of ₱2,400 per year for a chief clerk and deputy.

AGRICULTURE, COMMERCE, AND INDUSTRY—NEED OF AGRICULTURAL BANKS.

It is estimated that the crop of rice for the fiscal year was over half a million cavans, more than double that of the year before, a percentage of 14 cavans per inhabitant, thanks to propitious weather for the cultivation of this cereal. On the other hand, the drought, which began in September, and the extreme heat prevailing from February to the beginning of June reduced the product of the cane fields to one-third, while 75 per cent of plantations of cocoanut trees less than 2 years old died; a large part of the hemp planted in May, 1905, also suffered from the drought. It is true, however, that lack of labor, owing to the fact that losses in carabao have not been replaced, also contributed to this result. However, the sugar crop was larger than last year, though the price was lower, the highest quotation having been ₱3.50 per picul, while last year it reached ₱5. This notwithstanding a larger amount of money came into the province for sugar by reason of the increased yield. The present crop, in spite of difficulties encountered, is even larger than that of the fiscal year, a larger number of cattle having been available for its cultivation.

Maguey is another promising crop for the province, it having been demonstrated that this plant develops an extremely good growth at San Jose de Buenavista, Tiblao, and Culasi, and I believe that it can be generally grown throughout the province and might well substitute sugar plantations, with better results in the market, as many of the latter have not yet been restored to their former prosperous condition on account of lack of cattle. I have endeavored to persuade many property owners to make experiments with hemp on a larger scale, and they have responded favorably, in view of the excellent results obtained from small plantations, which are now furnishing material for cordage, and that certain barrios have furnished material in the place of hemp for the manufacture of textiles for household use.

Rice, sugar, hemp, and cocoanuts (copra and cocoanut oil) have been the principal products harvested during the fiscal year. Good results were also obtained from the cultivation of corn, red beans, sweet potatoes, and other products of local consumption, all of which contributed to the fact that the province had the best year since 1899, there having been no pillage nor epidemic diseases, hunger or ladronism, but an enviable peace under the auspices of which man's labor must necessarily prosper.

Notwithstanding the progress in agriculture, which was not limited to the production of rice and sugar, trade with other parts increased but little, owing to the scarce production of sugar compared with the yield of this article during the time of Spanish sovereignty. It is believed that the exportation of rice and sugar did not greatly exceed in value the importation of miscellaneous foreign merchandise sold by Chinese tiendas, which here constitute the most powerful commercial centers. Over three-fifths of the 25,000 piculs of sugar estimated to have been exported from the province were handled by Chinamen who had obtained same in exchange for merchandise or as a result of money advanced to small planters after the planting of their crops and prior to the beginning of grinding, at the rate of ₱2.50 per picul of 150 pounds. It is estimated that over 50,000 cavans of rice were exported from the province, of which 20,000 cavans were probably handled by Chinese, the principal market for rice being the southern pueblos of Iloilo, some plantations of the island of Negros, and the island of Mindoro, where a small amount was traded for cattle by traders from the northern part of the province. Thanks to this commerce, the province was not only able to recover somewhat from the loss of its cattle by rinderpest, but was also able to ship carabao to the Oton market in Iloilo, this trade having proved to be the most steady and the one offering the largest profits during the year.

Sinamay textiles made from the fiber of hemp or pineapple; copra, cocoanut oil, and hemp, though on a small scale, have also been exported.

Of industry there is none; such industrial products as there are supply local consumption and are not exported. Sinamay is made in all the pueblos of the province out of hemp grown in Antique, but its production is limited to supplying household needs. There are two shoemaker shops in the provincial capital, one run with Chinese and the other with Filipino capital, which supply the demand of all the pueblos of Antique.

There is not one single factory.

Lack of capital to promote agricultural work is responsible for the fact that this province is not at present in the class that its population of over 134,000 inhabitants and the fertility of its soil entitle it to occupy. Cane fields in this

province yield 50 piculs per hectare on an average, though there are lands of the best class which produce as high as 120 piculs. The hemp is of a superior quality and can compete in tensile strength, whiteness, and length of fiber with the best classes produced in the islands.

But the usury of the Chinese capitalists and the few Filipino money lenders is what absorbs all the energy of the province and makes difficult the development of its wealth. In order to avoid all of this I recommend, interpreting the general sentiment of the province, that the government contribute, at any cost, to the establishment of agricultural banks which will extend a helping hand to all farmers who, for lack of capital, are unable to work their lands, or if they do work them, only lose their time on account of deficient agricultural machinery, and of having to lose all of their profits by having to pay usurious rates of interest upon the capital employed by them.

Agricultural banks which will advance money and the railways which will solve the problem of transportation are the two things that will encourage production in this province, the fertility of its soil guaranteeing a surplus for exportation to foreign markets.

FINANCE AND ECONOMICS.

At the close of the fiscal year the provincial treasury had a balance of ₱21,580.74, the revenues during the fiscal year having amounted to \$110,297.68. Compared with the year before, which showed a balance of ₱9,696.28 and revenues of ₱60,945.66 and Pfs. 1,402.56, the present financial condition of the province is relatively a good one.

The distribution of internal revenue, which gave to provincial funds over ₱14,000, and the collection of the land tax corresponding to years up to 1905, inclusive, amounting to ₱15,285.74, greatly contributed to the improvement of financial conditions.

Notwithstanding the amount collected from the land tax, the province has still a large list of delinquent taxpayers, while many parcels of land and buildings were not placed on the assessment list through the negligence of boards of tax assessors; in like manner many persons subject to the cedula tax were unlisted in each municipality and thus evaded payment of their taxes. Unfortunately, 50 per cent of the delinquents in this latter tax can not be made to pay by reason of deaths, poverty of the proletariat, and of their having paid the tax in other provinces, specially in that of Occidental Negros, to which there is an annual emigration of some 10,000 laborers employed as field hands on sugar estates. And owing to the lack of interest on the part of the public in bidding at auction sales of property sold for taxes, nearly all such property has been confiscated to the municipalities. Such confiscations if of value socially for the reason that they constitute a penalty for delinquents, being the punishment inflicted upon them by the law for their neglect, are not in practice of any value because they bring no revenue to the municipalities that become the owners of such lands after a certain period of time, nor can they be well administered. The law granting an extension of time for their redemption has been very opportune, and should be further extended.

Among municipal revenues, that derived from fisheries should be the largest in many towns of the province, it being estimated that the profits from the fishery privilege of the municipality of Pandan alone are worth ₱20,000 during the period embraced between March and May of each year, but owing to the small amount of the impost collected on fisheries, all of the municipalities in the province together derived only ₱1,906.71 from this source during the fiscal year.^a

The expense for salaries of the president and secretary of the provincial board of health, amounting to ₱4,800, ₱2,400 each, has been saved, and if the salary of the chief clerk and deputy of the provincial treasurer were to be saved, the economy to the province would be of great benefit. Probably by next September, when the repairs to the provincial building shall have been finished, the rent heretofore paid for the schools will be saved the provincial treasury.

PUBLIC INSTRUCTION.

The interests of public education are making progress under the management of the supervising teacher of the province, who is subordinate to the division superintendent of schools of Iloilo and Antique. Although last year the pro-

^a Tables showing the revenues of the province during the fiscal year is on file in the War Department.

vince had an enrolment of 4,290, we are in hopes that it will be at least double that number at the close of the present school year; then we had only 23 school buildings and 39 Filipino teachers, now we have 70 Filipino teachers working, and hope to be able to fill 8 vacancies as soon as we can find the qualified persons to hold them, while there are 53 school buildings in the province, many of which were constructed during the fiscal year with voluntary subscriptions of the inhabitants of the pueblos and with the money donated by the municipalities.

It is only in the municipalities of San José, Sibalon, and Culasi that there are American teachers, one in each of the said pueblos acting in the capacity of an inspector.

There is a high school at the provincial capital, San José de Buenavista, where two Americans do all of the teaching. Repairs have been commenced on a suitable building to which the high school will be transferred, and it is probable that the work will be finished before the end of next September at the contract cost of ₱5,607.50 which will be paid out of the school fund. These repairs were started without the intervention of the provincial board. The building when finished will be worth ₱25,000, the province having acquired it from the municipality of San José de Buenavista for ₱1,500. As a matter of fact, the property was not transferred to the province solely in consideration of the amount mentioned but because the people of San José de Buenavista desired to give the entire province an opportunity to inaugurate a more complete system of education than has heretofore been offered by the intermediate school.

The province should exact better treatment from the bureau of education as it is entitled to it. While last year we had 8 American teachers now we have only six, one of whom is the head teacher who performs the duties of the division superintendent of schools.

Considering the development of education in this province, I think that the force of American teachers who are the directors of the Filipino teachers in the municipalities throughout the province is insufficient and should be increased so that the municipalities of Dao, Patnoñgon, Bugason, Laua-an and Pandan, may be provided with a supervising teacher the same as San José, Sibalon and Culasi. Moreover, the central schools of Dao, San José, San Remigio, Patnoñgon, Laua-an and Culasi should be provided with an insular teacher each, as there are very few qualified teachers in this province owing to the little encouragement given education heretofore in Antique; the best appointments have been given, in so far as possible, to certain young men who have scarcely completed their studies in the intermediate school.

It can truly be said that a genuine system of education was introduced in this province only some three years ago, and it is believed that the appointment of a division superintendent of schools for the province of Antique will encourage popular education here. All of the people in the province without exception advocate said appointment, to the end that Antique may be separated from the school division of Iloilo and Antique, and the provincial board, in forwarding to the Philippine Commission the petition of the convention of municipal presidents in the premises, gave its favorable recommendation thereto, for the reason that the interests of public instruction in this province demand that such action be taken, to say nothing of the difficulties of communication between Antique and Iloilo. Some division superintendents of schools, according to the official roster of officers and employees for 1905, get \$1,600, and there is one who gets \$1,500. The present head teacher of the province gets \$1,500, while his predecessor received \$1,600; consequently it would be more economical both in time and money to have the head teacher, or some other person in his stead, promoted to division superintendent, as by so doing the government will save expense for telegrams and postage stamps incurred in correspondence between the division superintendent of schools of Iloilo and Antique and the head teacher of the latter province who, as a matter of fact, has been performing the duties of the division superintendent right along in all matters concerning education in this province.

All of the municipalities of the province are willing to subscribe a small amount toward the foundation of a library, which will be donated to the cause of public education by the entire province when the high school is inaugurated in its new building. This action on the part of the inhabitants of the province is due to the general impression that in time a complete course of secondary instruction will be given in the said building, as it is quite spacious and has an upper floor in its central part; besides this the building is surrounded by sufficient land for agricultural experiments and athletic exercises.

During the period between July and the middle of August, each year, it is difficult to get even a fair attendance in the schools. During that time work is being carried on in the fields throughout the province in connection with the planting of the rice crop. Three-fourths of the school children either help their parents in the fields or else take care of the house while the latter are so engaged; this is due to the fact that agricultural holdings are widely distributed, so that those persons who do not work their own lands are very few and are generally engaged in working upon the lands of others for a living. I recommend, so long as there is no compulsory school law, that vacation in this province begin on June 1 and last until August 15, instead of from April 1 to June 12, as the effects of the torrential rains in June and July are more harmful than the heat of April and May, owing to the fact that the inhabitants of this province live in well-ventilated houses built of light materials. It is, therefore, my recommendation that school vacation should coincide with the months of June, July, and the first half of August, in order that the interests of public education may not suffer detriment on account of a generally observed custom.

NATURAL RESOURCES.

(a) *Forestry*.—The state forests of this province contain valuable timber, but on account of the difficulties encountered in securing means of transportation it is at present of little practical use. It can be stated that, with few exceptions, all of the best trees of the Philippines are here represented: Molave, tindalo, narra, yacal, ipil, camagon, lamete, baticulin, amuguis, caruntigan, bacalawag, bayuco, figau, ebony, calantas, etc.

At present these trees are found in very dense forests on the tops of the highest mountains where they are beyond the reach of man on account of the lack of transportation and dearth of carabaos. At present only the pueblos of Pandan and Barbaza, the latter on the Dalanas River, offer opportunities for the extraction of good timber.

The destruction of timber growing in accessible places is largely caused by calñgins, a system of cultivation which is harmful to the community at large and to the lumbering industry. The making of calñgins consists in clearing a patch in the forest first by felling the trees and afterwards by burning them; the purpose being to cultivate the land cleared, although the greatest efforts in this direction without the use of animals generally results in the clearing of two hectares which yield a crop of from 10 to 20 cavans of rice, which is the amount left over after the rats and other wild animals have got through with their depredations. This result represents the work of one or two families during a period of from five to six months. This system, moreover, reduces the number of laborers on plantations and is an incentive to idleness in rural or mountain districts. The burning is generally done during the hottest part of the year when the underbrush and grass in the hills are in condition to furnish good, combustible material for fire which destroys timber of immense value for commercial purposes. It has been very difficult, when not impossible, to discover the parties responsible for such fires, and in every case it has been just as difficult to find witnesses to support prosecutions. Considering the poor results of the calñgin system, I recommend that it be absolutely prohibited except in connection with the homesteading of land, and consequently the provisions of paragraph XXV (a), of section 2 of the Forestry Regulations should be repealed.

The province also contains other forestry products like resins, gum, mastic, and balao. In the mountains there are many resin-producing trees such as tipulo, nato, camansi, and others.

(b) *Mineral*.—Mineral deposits in this province are not sufficiently known. It can, however, be said that there are chalk and marble at Pandan and it is believed also gold and silver. In Culasi there is chalk at the island of Mararison, which is used for whitewashing purposes, there being three classes—white, red, and blue. At Buenavista, in the district of Culasi, there is coal of good quality. At Laua-an some good samples of coal and platinum have been found near Mount Barbaza; sulphur has also been found between Narirong and Eparar, 2 miles from Barbaza. At Valderrama there is gold; at San Remigio there is silver near Carawisan, and iron close to the town; and at Dao, in the suburb of Aninly quite a considerable quantity of pit coal has been taken out.

Only two of these mines at Barbaza and one at San Remigio were recorded, by American citizens, between 1902 and 1904, though all of them are now abandoned.

It is quite possible that many gold and silver mines may be found in the province, as well as a number of iron deposits, when the same is thoroughly prospected.

NONCHRISTIAN TRIBES.

No settlement of non-Christian tribes has been organized in addition to the three organized during the previous fiscal year, in accordance with act 1268, to wit, Badiangan, Igccok, and Igtonarum. However, during the first days of the current year I was able to bring together a number of nomad families of Aetas in the southeast part of Sibalom, the majority of whom had come from the northern part of the province, and with the assistance of Señor José Fontanilla, organized a settlement of 176 individuals above the barrio of Sido, which was named Villafont. I have refrained from requesting the approval of the secretary of the interior to the organization of this settlement for the reason that its members, being of a nomadic disposition, may all abandon it, and so long as they do not begin to cultivate their lands in a permanent manner and make it clear that it is their intention to reside at the said place, it is not my wish to ask that the organization of the said settlement be sanctioned in accordance with the provisions of act No. 1268. I now believe that the settlement of Villafont is progressing, and as I have been several times requested to issue appointments in favor of local officials, I am preparing to visit the settlement and afterwards submit the matter to the approval of the secretary of the interior.

The settlements organized last year have become in a way permanent, as in addition to the planting of food crops the inhabitants have set out candle-nut trees and hemp in their calngins, some of them having gathered over a hundred cavans of rice from the last harvest. Besides this they have erected houses in place of their huts, the settlement of Badiangan having now a municipal building constructed of strong materials.

Although some of the children of Badiangan are learning to read in Spanish, under the instruction of a Visayan teacher residing in the settlement, there is an immense majority of the tribe that will not send their children to school through their fear of the suqul, believing that as their ancestors could neither read nor write they should make no attempt to do so if they wish to avoid some misfortune or calamity.

During my last visit to Badiangan I invited the people to a meeting, and there explained to them, among other things, the advisability of asking the Government for a teacher to instruct their children in reading and writing, asking them if they were in conformity with that idea, and although not one of them opposed its realization, I felt after the meeting that a great majority of them would be capable of leaving the settlement if an official teacher and a stranger to their customs were to be sent there.

About a dozen young people, boys and girls, attend the school kept by the Visayan schoolmistress mentioned, who is paid one cavan of palay a year for her work. I believe a young man could be found who would take over the duty of teaching the children in the settlement, if paid by the Government. This will naturally give rise to difficulties, in view of the prejudices of the tribe, but I expect in time to overcome them, and that all the children will finally attend school, in view of the example set by others of their tribe.

There is at present the sum of ₱296.08 in the provincial treasury for non-Christian tribes as their proportion of the internal revenue. This sum is so insignificant that I believe it would be better to leave it where it is, in order that it may be used for future expenses of the organized tribes, such as office supplies, agricultural implements, etc., and for the salary of the teacher at the settlement of Badiangan. If the Government approves my recommendation regarding the appointment of a teacher, an appropriation should be made by the insular government in the sum of ₱1,000 for the payment of his salary at the rate of ₱40 a month, the balance to be expended for educational purposes, such as the construction of a schoolhouse and the purchase of books.

I can state that as a general thing the character of the members of non-Christian tribes that have been organized in settlements has improved, and that they are beginning to understand that it is their duty to hate their former nomadic life as prejudicial to the development of their race and to acquire a liking for a more sedentary existence, encouraging a love for home. I believe that it would be a good idea, under present conditions, to reserve a certain area of land, say from three to five miles, around each settlement, for the use and benefit of its non-Christian inhabitants, and to divide same in as many lots

as there are families, in order that each family may have its own plot to cultivate, and, finally, that they should not be held responsible for debts nor required to pay taxes. This exemption refers to the lands so distributed.

POLITICAL CONDITIONS.

The pueblos of the province are beginning to realize that under the present system of government, while the people have the power of electing the officials who administer the affairs of the communities, it is also they who will be praised or censured according as their election of them is good or bad. In the last municipal elections the most responsible people in the pueblos took care to make a good selection of the electors, so that only those citizens who were qualified under the law voted, with the result that the most capable persons intellectually were elected to manage the municipal government, and all of the candidates elected were the most prominent persons in their respective communities.

With regard to religion, the people of the province are divided into Aglipayans and Roman Catholics. Notwithstanding the efforts of the leaders to nominate candidates belonging to their sect, the municipal elections were carried through free from religious influence and in accordance with the principle of separation between church and state. However, there have been ecclesiastics who took more interest in the election than in their own church, and yet, with one exception, none of their candidates was elected. The government, in protecting the liberty of all churches, can not be hostile to either of the two sects which now militates in this province.

About the beginning of the fiscal year one municipal president was summoned for an investigation at the request of Bishop Rooker, of the Roman Catholic Church, having been charged with seizing the church at Patnongon while in possession of the said bishop. The president was found guilty, but having acted more through ignorance than through malice, he was reinstated.

Three municipal treasurers were prosecuted for defalcations; one of them was found guilty, and another acquitted, and the third has his case pending in the court of first instance. Two were separated from the civil service, while the third was reinstated. It is believed that these defalcations were the result of gambling.

The vice of gambling will never disappear entirely unless the importation of playing cards is prohibited and all licenses issued by municipalities for gambling with cards are revoked, a change in present legislation being necessary in order to accomplish it. Gambling, aside from being immoral, is one of the causes of the backwardness of our people, and it should not be made a source of revenue for the municipalities.

When the estimates of revenues and expenditures for the current year 1906 were made over half of the eleven municipalities in the province of Antique showed a considerable deficit in their balances; but since that time the financial aspect has entirely changed, so that it can now be said that our municipalities are abreast of their obligations and are able to supply all of their wants, being thus placed in a very advantageous position.

During the fiscal year the pueblos have enjoyed a condition of relative welfare without famine or disturbances arising from brigandage; crops have been more abundant and varied, and questions emanating from religious differences have been less frequent, so that, with the exception of the conflict between President Avellon and Bishop Rooker in 1905, it can be said that the sharp antagonism between the Roman Catholics and the Aglipayans has disappeared, and there is no danger of its reappearance so long as the authorities, as now, are men exempt from all religious prejudice and who know how to maintain in the ascendancy the principle wisely supported by the Government in religious matters between the different sects that are now struggling for supremacy in the minds of the people.

Public attention is now taken up with the question of the repair of roads and bridges in the province. Owing to lack of funds set aside for that purpose, the majority of the roads and bridges were constructed and repaired provisionally, and naturally have been unable to withstand the demands of traffic; hence the more or less veiled criticisms of the provincial government and the fact that ignorance attributed the responsibility to the provincial governor rather than to anyone else. The evil is not precisely in the provisional character of the work, but in the lack of opportunity to repair certain sections of roads or bridges, accidentally destroyed, which block public traffic. I recom-

mend that this class of work be performed by the municipalities at the cost of the province, and that in the absence of the district engineer the provincial governor be made responsible for the condition of the roads and bridges in this province, and that he be authorized, subject to the approval of the provincial board, to signify what roads or bridges shall be repaired, abandoned, or constructed, and that all work be done under his supervision, it being the duty of the treasurer or his deputy in each municipality to pay for the work done each Saturday upon order of the governor, providing that the sum total of the payroll shall not exceed the amount appropriated for the work by the provincial board, which shall inspect the work upon completion, and if it finds it in conformity with the plan, order the issuance of the proper settlement warrant in favor of the municipal treasurer.

The question of roads and bridges is of such vital importance to the pueblos—being the arteries through which the blood of commerce flows—that its solution should be left to them or to their legal representatives, all the more so in view of the fact that considering the small amount appropriated for roads and bridges in the majority of cases the pueblos themselves would voluntarily repair them or at least furnish the necessary labor, unless on account of the magnitude or nature of the work it should require the scientific supervision of a professional engineer. But so long as the work to be done is simply in the nature of repairs or the construction of culverts or small bridges, the consensus of opinion is in favor of placing the work in the hands of the municipalities.

The proposed road law was unanimously adopted by the last convention of municipal presidents, and though it constitutes an additional burden upon a people debilitated by many calamities, it is their duty to support it with fortitude and heroism if they desire rapidly to advance along the path of progress. I am able to assert that the pueblos of the province will willingly support this burden, as the one thing lacking here to encourage material progress is good roads and bridges.

PUBLIC HEALTH AND SANITATION.

There were 1,861 deaths recorded in the province during the year and up to the month of May. The largest mortality occurred during the months of July, August, and September, 1905, owing to a scarcity of food resulting in intermittent fevers.

However, many of the deaths from fever were caused by the epidemic which ravaged this province in the years 1903 and 1904. Owing to bad treatment, which was due to a lack of physicians in the pueblos, malarial fevers were not properly combated; hence many persons attacked lingered for a long time with the disease. There is only one president of a municipal board of health in the province, at Bugason, and he, not being a physician nor even a mere undergraduate of medicine, has never been able to show any efficiency in his work. It is six months since the director of health requested the dismissal of this president for inefficiency.

As a general rule, the sanitary condition of the pueblos, the majority of which are seaport towns, is good, no epidemic diseases having appeared during the year.

On the 8th of May, however, the rinderpest was reported in the southern barrios of the municipality of Dao, which formerly belonged to the municipality of Aninly, 56 carabao and 156 cattle having died there to date. Thanks to a rigorous quarantine, the mortality has diminished, and I am in hopes of successfully combating said disease by means of a cordon between the barrio of Aninly and the pueblo of Dao.

The disease came from Palawan, some cattle from Cagayancillo having been brought to Aninly in order to escape the ravages of the rinderpest which decimated the cattle in that island. The authorities at Dao did not know that there was any rinderpest at Cagayancillo, having learned of it only after the barrio of Aninly had become infected and the cattle brought from Cagayancillo had died. It would be desirable to have the quarantine law more severe in such cases, and that the authorities charged with its enforcement be made strictly responsible for infractions.

In conclusion I wish to record here the efficient help extended to me by all officials in the province, municipal as well as provincial, and by the constabulary, trusting that by our united efforts we will be able to bring the province of Antique to its highest possible level.

Respectfully submitted.

A. SALAZAR,
Governor of the Province of Antique.

The GOVERNOR-GENERAL,

REPORT OF THE GOVERNOR OF THE PROVINCE OF BATAAN.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF BATAAN,
Balanga, July 11, 1906.

SIR: In respectfully submitting this annual report for the province of Bataan for the fiscal year ending June 30, 1906, in compliance with the provisions of act 1044, I believe it advisable to state, with reference to public order in general, that, though the political conditions of this province were of a very distressing nature during more than the first half of the last fiscal year, the same thing can not be said with regard to the present fiscal year, which was ushered in with complete tranquillity as regards public order, owing to the surrender of the most notorious of the bandit leaders, who had, prior to that time, remained in hiding in the hills of this jurisdiction.

This peaceful condition was, however, somewhat threatened, a report having been received about the middle of last month from the municipal president of Orion that a band of ladrones from another province had landed in Bataan with the purpose of continuing their depredations. This news was afterwards confirmed by Governor Sandiko and Major Orwig, Philippine Constabulary, of Bulacan. Happily, however, this band was unable to carry out its intentions to molest this province, if such was its purpose, no doubt because it did not find the protection, or at least the indifference, that it expected, but on the contrary a hard and active pursuit on the part of the constabulary force, as a result of which it was driven to seek refuge in the province of Pampanga, after having remained in this jurisdiction some thirteen or fourteen days. It is known that the band landed in Bataan on June 17 and that it passed over into Pampanga on the 30th of the said month, not to return. One thing certain is that the passage of the band through this province only produced a little alarm among the inhabitants for a few days, an alarm which entirely disappeared when they learned that it had not found a welcome in this province and had left it without committing depredations of any sort or molesting the people.

AGRICULTURE.

As public tranquillity has become more assured there has been a corresponding advance in agriculture which, it is unnecessary to say, is the first to feel the greatest evils from the presence of bandits in the vicinity. So that with the complete disappearance of the said band which, for a time, kept us in a state of apprehension, agriculture began to show an improvement and still continues to do so, though its progress is deplorably slow owing to the general financial stringency, or, rather, the lack of capital coupled with a lack of work animals, existing to this time. The latter complaint prevails throughout the archipelago in general, and it has been suggested that agricultural banks be established to remedy conditions. Should the plan be carried out a beginning ought to be made in this province, which is, preeminently, an agricultural one, its prosperity and its very existence depending upon husbandry.

COMMERCE.

In my last annual report the principal articles of commerce in this province were given as follows: In the first place, manufactured sugar, lumber coming next in order of importance, followed by fresh and dried fish, salt, firewood, indigo, and several kinds of fruit, such as mangoes and pineapples. If agriculture were to be developed here, as could easily be done, along the line of the cultivation of hemp and maguey; and if, on the other hand, cattle raising were to be encouraged at the same time, this province, owing to its favorable location and proximity to Manila, could greatly increase its commerce that accompanied by the construction of railways and the establishment of additional facilities in water communication would soon reach its highest point of development.

ECONOMIC.

This province, since the enactment of the internal-revenue law, on account of the small number of its inhabitants, the crisis through which agriculture is passing and the backwardness of its commerce, has been going down grade financially to such an extent that it was obliged to apply to the insular govern-

ment for a loan of ₱6,000 in order to be able to pay the salaries of its employees and other indispensable expenditures such as that involved in the repair of the buildings where the provincial offices and jail are installed, the former having been damaged and the latter entirely destroyed by the storm of September 26, 1905.

It is my opinion that one of the principal practical means of preventing the effects of the financial stringency described is, as I have already indicated in speaking of agriculture, the establishment or encouragement by the insular government of an agricultural bank here that will furnish to both farmers and merchants the necessary capital to set themselves up in business without the necessity of contracting onerous debts and of being the victims of unscrupulous money lenders.

FINANCES.

All that can be said with relation to the finances of the province has already been spoken of in the foregoing section relative to economics.

PUBLIC INSTRUCTION.

The progress of public education here, past and present, has been very manifest and worthy of admiration. In all the schools throughout the province there is a large attendance of young people of both sexes, so large that there is a need of more insular teachers, which has been brought to the attention of the authorities that are able to supply it. It is gratifying to see such great love and assiduity on the part of the young in connection with education.

The insular government donated ₱6,000 to this province for the erection of a provincial school building that it stood in need of, hoping that the amount lacking to make up the total cost of the work would be raised by popular subscriptions. I know that the province feels deeply grateful to the government for the donation, and I am also aware of its great desire and of the formidable efforts that it has unsuccessfully made to get together the ₱5,000 needed to make up the total amount. But all of its good wishes, all of its efforts and desires have come to naught because of the critical conditions which prevail and that I have already mentioned.

The province is making a supreme effort; it has opened a popular subscription, held meetings, and has done everything in its power to raise the said amount as quickly as possible, but it has found that the penury resulting from the late war, the rinderpest, brigandage, storms, locusts, cholera, and the long series of calamities that have followed one another so closely as to leave no respite, has been an insurmountable obstacle in a province that is just getting on its feet and that is yet scarcely able to collect its taxes.

There is therefore no assurance that the sum can be raised promptly in view of conditions; there is rather a probability that it can not be done; it would therefore be advisable that, in view of the special circumstances mentioned, the construction of the provincial school be ordered, not upon the basis of the estimated cost of ₱11,000, but upon the amount in addition to the ₱6,000 donated which may be collected within a certain fixed period of time.

INDUSTRY.

As this is principally an agricultural province it is scarcely worth while to speak of its industries. Among those which can be called typical of this province and not general throughout the archipelago can be named the manufacture of mats and brooms that are eagerly sought after and prized in Manila on account of their strength and durability. I will refrain from again mentioning the important fishing and salting industry carried on in nearly all of the coast pueblos, having described the same in my report for last year.

MANUFACTURES.

Properly speaking, there is no manufacturing in the province other than sugar making, which is the principal source of wealth here. There formerly existed, and there may still be, a few factories for the distillation of alcohol from molasses, but the few that are still running are of such little importance as not to merit special mention.

NATURAL RESOURCES.

All or nearly all of the provinces of the Philippine Archipelago have great natural resources, forestal and mineral; but this province can pride itself upon the fact that in its timber resources it is among the wealthiest, having immense riches in its boundless forests. This wealth now lies latent and unproductive, due, in my opinion, more than to any other cause, to the lack of highways of communication and to the consequent want of a market.

NONCHRISTIAN TRIBES.

Non-Christian tribes of Negritos or Aetas, the only wild tribes here known, are distributed in all or nearly all of the pueblos throughout this province. The type of individual composing said tribes is very well known. Of small stature, black skin, short and very kinky hair, and regular though well-pronounced features, these people wander about almost naked in nomadic groups through the interior in the hills and forests. They are as a general rule inoffensive, complaisant, and submissive, but entirely refractory to social civilized life within inhabited places.

POLITICAL CONDITIONS.

In the first paragraphs of this report, dealing with public order in general, reference has been made to the political conditions of this province. It is at present tranquil and free from depredations of ladrones or bandits from which it formerly suffered. The inhabitants in general are friends of peace and good order, eager to fulfill their obligations, devoting themselves to work, and taking little or no interest in political affairs, very few of them indeed taking any direct interest in the turmoil of politics. As a general rule they are loyal to the constituted government and gladly bear their burden notwithstanding the many calamities which have impoverished these pueblos.

PUBLIC SANITATION AND HYGIENE.

The condition of the public health is at present good. A high mortality is noted only among very young children.

On January 1, 1906, the first case of cholera morbus appeared in the pueblo of Abucay, while on the 9th of the same month the first case was recorded in this provincial capital. The epidemic lasted until April 28 when the last case was registered in this locality and throughout the province. There has been no other case of cholera in the province since that time.

Next to cholera the disease which has caused the greatest mortality has been convulsions in very young children.

During the epidemic the provincial board of health took active measures to arrest the progress of the disease, being seconded in its efforts by the municipal authorities of all of the pueblos in the province.

By the enactment of a recent law a great innovation has been introduced into the sanitary service of these islands. It would be desirable, considering the importance of this province and its conditions, that it be not left without a provincial doctor, especially during the present period when cholera is prevalent in Manila, with which town this province is in constant and direct communication.

CONCLUSION.

Before concluding I believe it advisable to record in this report my deep gratitude to all of the members of the provincial board for the cordial cooperation which they have rendered me in the management and settlement of the matters that have been submitted to the board, and also to the municipal officials and to the constabulary for their disinterested and loyal aid which has made the performance of the duties of the office I hold easier to bear.

Respectfully submitted.

L. I. ZIALCITA,
Governor of the Province of Bataan.

The GOVERNOR-GENERAL,

REPORT OF THE GOVERNOR OF THE PROVINCE OF BATANGAS.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF BATANGAS,
Batangas, July 14, 1906.

SIR: In compliance with the provisions of act No. 1044 of the Philippine Commission, I have the honor to forward the following annual report for the fiscal year ending June 30, 1906. During the short period of five months that I have been at the head of this provincial government I have had little opportunity to speak of the conditions therein prevailing, and will now have to avail myself of information compiled before my term began and that furnished by the different departments of the provincial government. In accordance with the plan for this report, furnished by the honorable the executive secretary in his circular letter of June 9, I shall begin by speaking of the agriculture of this province.

AGRICULTURE.

I have just returned from one of my regular visits of inspection through the province as a result of which I have observed that there is relative prosperity with regard to the condition of agriculture. Considering that the rinderpest, though not as intense as in past times, still continues its work of destruction among our cattle, our agricultural production may be considered quite prosperous, especially that which necessarily entails the use of animals. The principal cause of that prosperity, however, is due to the manual labor of the inhabitants.

As the coffee tree has been entirely exterminated and there is no hope of reviving that important source of revenue in this province, notwithstanding the experiments made at Lipa by the department of agriculture, the inhabitants of the coffee-growing region have enthusiastically taken up the cultivation of hemp. I trust that within five years, when this important crop shall have been extended, it may replace the loss of the coffee plantations and of the revenues derived therefrom.

The production of rice, which forms the basis of the food of the people, has been increased, but not to the extent of meeting the necessities of the inhabitants of the province, for though this crop has doubled and even trebled in some pueblos, in others it has been the same as last year, so that it can be estimated that with the help of corn the yield of both crops is sufficient to furnish the inhabitants with scarcely eight month's food, it being therefore necessary to import from Manila and from Tayabas the amount necessary for the balance of the year.

The production of sugar continues to be in a state of decline, principally owing to the lack of work animals, it being scarcely worth while mentioning the exportation of this article which, compared with prosperous years, reaches an insignificant figure. However, its cultivation is yearly increasing in the pueblos of Balayan and San Juan de Bocboc; as regards Nasugbu, where the Roxas estate is located, large plantations have been set out this year and some of the steam mills have been repaired, the capital having been furnished by the house of Roxas.

Oranges are grown in the pueblos of Tanauan and Santo Tomas, being one of the principal products, and it is no exaggeration to say that the last crop brought some ₱80,000. This crop has the advantage of being, like coffee, perennial, as it lasts from fifty to sixty years without being subject to the contingencies of other plantations, such as coffee, sugar cane, and rice. Moreover, the trees begin to bear seven years after planting. When this province is crossed by a railway line, the orange crop will tend to increase. As it is now, those pueblos that are not easy of access are unable to cultivate the orange, owing to the perishable quality of the fruit preventing its reaching market before becoming unserviceable for consumption.

There are other products of small importance which are not worthy of mention. Garlic, however, among these minor products, pays well for its cultivation, it being estimated that in Tanauan the crop is annually worth from ₱8,000 to ₱10,000. No locusts have appeared in this province since last year, and now that the rice sowing has been completed throughout the province and great hopes are entertained for an abundant crop next October, there is not the least indication of that insect plague.

INDUSTRIES.

This province is essentially an agricultural one, as it always was during the time of its greatest splendor; in fact, it can be said that all of its sources of wealth emanated from husbandry. There are but few industries, two only being worthy of mention, and they are more or less dependent upon agriculture—hog raising and poultry—both hogs and chickens being shipped weekly during the entire year to Manila. The raising of hogs is an important industry only in the pueblos of Calaca and Rosario, the first shipping from ₱10,000 to ₱12,000 worth and the latter from ₱12,000 to ₱15,000 worth each year. As regards poultry and eggs, it is no exaggeration to say that the weekly shipments from the ports of Bauan and Batangas to Manila amount to ₱500—that is to say, ₱2,000 per month, or ₱24,000 per year, in round numbers. Another important industry of the province is the weaving of abaca and jute textiles, Bauan and Lipa being the principal centers of production, shipping not only to Manila, but also to other provinces. The quality of these textiles is constantly improving, though primitive looms are still in use, no modern looms or textile factory being yet in existence, all the weaving being carried on as a household industry.

With respect to factories, if sugar mills can so be called, there are a few not worthy of mention, on account of the scarcity of their production. There is not a single factory in the province which ships its goods abroad on a large scale, there being but a few machines for hulling rice and shelling and grinding corn, destined exclusively to supply the local demand. There are three such machines in Lipa, one in Batangas, and another in Tanauan. It is probable that their number will increase this year after the harvest, the people having become convinced of their utility and economy in comparison with the old methods of rice hulling by hand, rice being the principal food of the inhabitants.

ECONOMIC CONDITION.

Judging by the figures before me, the condition of the provincial treasury is by no means prosperous, for, according to acts 470 and 698, the province owes ₱50,000, for a loan raised for general purposes and for roads and bridges. Owing to the precarious condition of the province, the taxes of which it has been impossible to collect as punctually as would be desired, the amounts owing and which should have been paid in the years 1904 and 1905, have not been liquidated. I trust, however, that the province will be able to make a payment this year and I promise to do everything within my power to have delinquent taxes collected and to at least keep abreast of current expenses and past obligations. This condition does not obtain with regard to the municipal treasuries which, with the exception of two or three, are out of debt and have at least a small surplus, there being some that have several thousands of pesos on hand over and above all obligations. It is none the less true, however, that they are nearly all behind in the collection of the land tax, but I trust, as I have already stated, that land owners after this year's good crops are harvested will be able to pay, if not all, at least the principal part of their delinquent land taxes.^a

HIGHWAYS OF COMMUNICATION.

Though it can not be said that the wagon roads of the province are good, they at least do permit travel even in the rainy season from one pueblo to another in a carromata, with the exception of the road between Nasugbu and Lobo, which for a long time past has been impassable for this mode of conveyance. A large amount of work is needed on the roads of this province, but the condition of the provincial treasury does not permit its being done now. The provincial board has decided, using the limited resources available, to repair the roads from Batangas to Bauan and to Tanauan, they being the principal highways of communication with Manila. It has also approved the repairs to the provincial government building and court of first instance and the construction and repair of bridges and culverts on the roads mentioned. All of this work would have been commenced immediately after approval had it not been for the want of an engineer. As it is now the delay is causing great harm to traffic. In my opinion, the engineering district of Batangas and Tayabas is too large to be properly looked after by one man, and there can be no doubt

^a The collections made by the provincial treasury during the fiscal year 1905-6 are shown in a statement on file in the War Department.

that the deficiency in the service under the district engineer redounds to the prejudice of the provincial government that is held responsible by the public for its apparent inattention in the matter of roads. It is therefore urgent to fix the time during which the district engineer shall reside in each of the two provinces in order that the work may not be neglected, involving as it does neglect of the public interests and of the service.

NATURAL RESOURCES.

To date twenty mining claims have been filed throughout the province, eighteen of them being in the municipality of San Juan de Bocboc, one in Lobo and another in Batangas, all of the entrymen or locaters being Americans. Not all of the applications mention the character of the mine. It is therefore impossible to classify them.

POLITICAL CONDITIONS.

The province of Batangas, now passing through an era of peace and tranquillity, will, if it continues, have nothing to envy of other provinces. My insistence in petitioning the superior authorities for the separation of the pueblo of Talisay from the municipality of Tanauan, to which it is at present annexed, as I had the honor of stating in the conference I held with the highest authority of the islands during his visit to this province, as well as in the letters which I have had the honor of addressing him, was precisely to cement said tranquillity, inasmuch as Talisay, on account of its proximity to the pueblos on the boundary line between the provinces of Cavite and Batangas, is the gateway between the two and also the place of refuge for persons of evil lives and of doubtful characters. In view of these circumstances it is by all means necessary to create in that region a group of responsible men, constituting a municipal government as formerly and by so endowing Talisay with political personality, a municipal police force, and other adjuncts for the preservation of peace and the maintenance of order, providing for the proper vigilance of the outlying barrios of the province, it will be possible to depend upon one, or at the most two, companies of constabulary for its protection, instead of the four that the insular government now maintains there.

Great is my satisfaction in seeing my efforts in this direction crowned with success by the probable separation of Talisay; and now that the province has its confidence placed in me, and has elected me to govern it, I shall do everything on my part to secure from the government the completion of that work by asking for the separation of Lemery from its municipal capital, Taal.

The Commission, in consolidating these two pueblos, as well as Talisay and Tanauan, took into consideration more the economic than the political phase of the question. I have already expressed my ideas with regard to the separation of Talisay. It is now incumbent upon me briefly to submit certain considerations with respect to Lemery.

Lemery, before its consolidation with Taal, was a very much more prosperous pueblo than the latter; it enjoyed an existence of its own, and it is possible that its prosperity might have reached its full splendor had not the consolidation been carried out. The purpose of the latter was only the saving of municipal expenditures, but no attention was paid to the possibility that might result from dampening the enthusiasm of the industrious inhabitants of Lemery. The result has been a decrease of municipal revenues to such an extent that the saving sought to be effected will perhaps be illusory. It was really improper to consolidate a prosperous municipality with great hopes for the future with another of a lower class, in an economical sense and in proportion to population, which had no other claim to be designated as the seat of municipal government than that of antiquity. Lemery has not only been deprived of its mercantile and industrial enterprise, but also of its political enthusiasm, for after Taal had been declared the seat of municipal government the inhabitants of the former pueblo saw themselves condemned in their aspirations for municipal office, as is usually the case in consolidations, however much some would have it otherwise. Hence it is that the inhabitants of Lemery have ceased their vigilance and their interest in the maintenance of good order. In order to make the latter effective it would be necessary to make a considerable increase to the police force, which would result in a consequent increase in the municipal expenditures that would be saved if Lemery were a separate municipality. The entrance of the ladrones into Taal upon two occasions via Lemery cor-

roborates my assertion; and although the attempt has been made to fasten complicity in this matter upon the residents of Lemery, a charge in my opinion completely false, it has not been substantiated; indeed, it is the greatest cruelty to wish to add this stigma to a pueblo already sufficiently ill used through the suppression of its political personality. Taal, on the other hand, without my wishing to imply that it is indifferent to the duty that the law has imposed upon it of looking after the interests of Lemery as it would after its own interests, both pueblos being now but one municipality, through natural egoism or because of antagonisms of character between the two pueblos, or through jealousy of the latter that at one time was more prosperous than itself and is now under its ægis, does not take the interest in Lemery that it should, the result being the events which have taken place.

As the representative of the people before the government, and possessing the confidence of the former, I think that I will not be disregarded in asking for the separation of the two pueblos of Lemery and Taal and their restoration to their original status, inasmuch as this separation does not seek any private end, but rather to cement by all possible means the tranquillity and good order prevailing in the province, with confidence that the measure will please the government and will result in increasing the prestige of the highest provincial authority by showing that his recommendations, when impartial and conducive to the prosperity and welfare of the inhabitants of the province, are always approved by the higher authorities.

PUBLIC INSTRUCTION.

The people of Batangas are so enthusiastic over education that the buildings provided by the government for that purpose are daily becoming more inadequate. In March of this year 9,998 pupils were matriculated throughout the province. In 1905 there were but 97 primary schools, while now there are 109. There is one high school, besides seven intermediate schools. The municipal teachers number 143. In addition there are 9 insular and 22 American teachers. The amount spent by the insular government during the last fiscal year for teachers was ₱57,310.20, while ₱35,538.36 was paid out in salaries to municipal teachers.

It must be borne in mind that the number of pupils indicated must increase during the coming months, as I believe it does every year, as during the time of rice sowing, weeding, and until after the harvest the majority of the children assist their parents in these labors.

The bureau of education proposes to buy a building for the intermediate school in Lipa, the insular treasury donating ₱5,000 and the municipal treasury at Lipa ₱3,500 toward this project.

PUBLIC HEALTH AND SANITATION.

In the year 1902, after the organization in this province of the provincial board of health and of municipal boards of health, reports were regularly received once a month from the presidents of the latter boards. This was due to the fact that Colonel Maus, at that time commissioner of health, authorized the presidents of provincial boards of health temporarily to appoint proper persons, though nonprofessionals, to discharge the duties of the presidents of municipal boards of health, in view of the fact that there was not a sufficient number of doctors and undergraduates of medicine in the province. After the enactment of act No. 878 many of these offices remained vacant, owing to the fact above stated and to the circumstance that no medical man possessing a diploma desired to take the office at the miserly salary of ₱15, ₱20, or ₱25 per month, the municipalities being unable to offer more in view of the state of their finances. Hence it is that the sanitary service can not be as efficient to-day as it formerly was, on account of the lack of municipal boards of health. The old system was efficient, if for no other reason, because each pueblo was provided with a sanitary authority whose duty it was to enforce ordinances emanating from the president of the provincial board of health and to gather all statistics relative to the service. Without asking for an amendment of the said act, the purpose of which is to provide each pueblo with a physician or undergraduate of medicine possessing a degree, and, on the other hand, to protect the members of the profession, I ought to, however, petition that district health officers be authorized, if possible, by means of an Executive order, to appoint presidents of municipal boards of health, in a temporary capacity, when it is

impossible to appoint professional men to the office, always, of course, giving preference to them, but appointing nonprofessionals when the former are not to be had.

The health of the province in general is relatively good, no diseases of an epidemic character being prevalent, for though malaria has not disappeared its effects are less than those of former years, due to the constant increase in the area of lands plowed that had formerly remained uncultivated, so that what is gained in an economic sense is also gained as regards the health of the inhabitants.

In the municipality of Tanauan there were 11 cases of cholera and 9 deaths during the months of November and December, 1905; but thanks to the measures of precaution adopted in order to arrest the spread of the disease, it was entirely eliminated, to such an extent that up to the present time we have not had to deplore the appearance of new cases, in spite of the proximity of that pueblo to Manila, where there has been a reappearance of the disease, and of its continuous and incessant traffic with the capital city.

According to the records on file in the office of the secretary of the provincial board of health, there were 269,575 inhabitants in the province at the end of the fiscal year 1904-5, and 275,149 at the end of the fiscal year 1905-6, signifying an increase of 5,574 during last year.

According to the said statistics, there were 13,547 births and 7,973 deaths during the fiscal year 1905-6, and the following number were vaccinated during the said period:

By presidents of municipal boards of health.....	21,800
By insular vaccinators up to May 31.....	33,428
By provincial sanitary employees.....	5,016

making a total of 60,244 vaccinations made.

Only 11 cases and 9 deaths of cholera morbus have been recorded in the province, at the municipality of Tanauan, during the months of November and December, 1905. With regard to other diseases of an epidemic nature, I will only mention smallpox, with 2,727 cases and 693 deaths, and malaria, with 19,844 cases and 2,229 deaths.

I have already stated in another part of this report that malaria has shown itself recently as of a milder type considering the proportion of deaths, this being due to the increase in the area of cultivated lands that has also resulted in increased production.

I finish this modest and concise report, reiterating what I have already said at the beginning—that is, that in a period of scarcely four months that I have been at the head of this provincial government it has been impossible for me to gather more information than that above given; nor is it possible for me to make more recommendations which will be conducive to the proper conduct of the affairs of this province until, as time passes, I become more perfectly informed of the duties of my office, as I realize that there are many problems to be solved, but before presenting them it is my desire to adduce arguments which will convince the government of the necessity of their solution, a solution which will redound not only to the benefit of the province but that will also result in carrying out my purpose of strengthening the confidence of the people in the government.

Respectfully submitted.

J. LOSADA,
Governor of the Province of Batangas.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF BENGUET.

OFFICE OF THE GOVERNOR, PROVINCE OF BENGUET,
Baguio, Benguet, July 30, 1906.

SIR: I have the honor to submit the following report for the province of Benguet for the year ending June 30, 1906.

In general, I take pleasure in saying that progress here has been continuous each month, showing an improvement in some branch of the service, no backward steps having been observed.

The most pronounced progress to be reported is the sale of residence lots within the civil reservation of Baguio. Of the 128 lots plotted and offered at

the first sale in Bagulo, 91 were sold, the balance being sold at a subsequent sale in the city of Manila, the prices realized averaging about three times the values assessed.

Immediately after the first sale work was begun constructing roads to every lot sold so that by next November, after the rainy season, lumber may be carted to the lots of all desiring to build.

The general plans for this "city in the hills" were made by Mr. Burnham, of Washington fame, and specialized by Mr. Parsons, consulting architect to the Philippine Commission. These plans are being faithfully put in execution and the founding of the most beautiful resort in the East is already begun.

AGRICULTURE.

The agricultural industries of the province are most varied. Of course the natural products are those by which the natives themselves sustain life and are and have always been sufficient to maintain the entire population. These products are the camote (a degenerate sweet potato), rice, and gabe, which is the Hawaiian taro. These crops are raised in abundance. Besides this, the natives cultivate coffee to a limited extent for sale to other provinces and to other peoples. I say to a limited extent because with the vast areas of uncultivated land, which is ideal for coffee in soil, elevation, and climate, this one province could raise sufficient coffee to maintain the population of the archipelago and of the best quality as it is.

The natives raise about 2,000 cavans of coffee of 128 pounds each. By continuous advice and urging the natives are increasing their area of coffee culture. This is really a young industry in Benguet, the first coffee having been planted here about twenty-six years ago, at which time its cultivation met great opposition among the natives.

I believe this feature of agriculture should be fostered and that it may become one of the means of provincial wealth.

Another product which is a money producer for the Igorot is the potato, the real old-fashioned Irish potato. Five years ago there were very few of these potatoes grown here and they were very small and inferior. To-day they are sufficient for all local needs the year round, besides which many potatoes are exported to other provinces. They are of good size, natural in flavor, and grown on comparatively high ground—that is, at an elevation from 5,000 to 6,000 feet—although one of our pioneers, an American, grows them at an elevation of 7,200 feet. The supply is now sufficient for the demand, but should there be available transportation the demand for Benguet potatoes would suddenly increase to such an extent that it could not be supplied.

The area of cultivated land is noticeably on the increase. In the Trinidad Valley there is now under cultivation about ten times as much ground as there was four years ago. I think it would be a safe estimate to say that throughout the entire province there is fully five times as much ground under cultivation as there was four years ago to-day. The increase in stock is also noticeable. When I first rode over the province I seldom saw either cattle, carabaos, or horses; now you can not take a day's ride in any direction without seeing large herds of stock. In fact there are over 10,000 head of cattle, 3,000 carabaos, and 2,000 horses in the province. The only reason for the continuous prosperity of the natives of Benguet is their sense of absolute security of property rights, coupled with their industrious habits; but though industrious and frugal they had become discouraged in attaining much property owing to the robberies of the past culminating in the devastation of the insurrection. American occupation is considered a success by the natives of this province.

COMMERCE AND MANUFACTURE.

Under this heading I may properly say there is nothing of either in the province, though in doing so I might be considered working an injustice on our one store conducted by the Benguet Commercial Company and a few little shops conducted by the Chinese and natives. The only real manufactory that I know of in the province is situated in some little shack, in an unknown place near the pueblo of Bugulas, in the northern part of this province, where the natives mine the material and pound out with stone hammers the remarkably symmetrical copper kettles which are so eagerly sought after by all the visitors to Bagulo and by all the scientific men throughout the world. Copper working is considered to-day as a lost art, but here are at least a few who retain a part

of that art to the degree of symmetrical work with crude mechanical devices. Of course, the manufacture of these kettles is not to any such extent that the government officials who are investigating the sources of revenue for the government are in the least interested.

FINANCES.

This province is not self-supporting. Its inhabitants are composed almost entirely of Igorots, who are classed as non-Christian or pagan tribes and as such are wards of the government, and in their relations to taxation and even in many of their forms of government may be classified as living in the same relation to the insular government of the Philippines as do the American Indians to the Government of the United States. The entire revenue of the province from all sources is about ₱3,000.

The entire cost of the government of the province of Benguet is about ₱30,000, the central or insular government thus bearing fully nine-tenths of the expense of maintaining the proper form of government among these people.

MINING.

We have felt heretofore that in our reports regarding the mineral resources of this province the conservative course was the wisest to pursue, and that a steady, sure, continuous expansion in the knowledge of our mineral wealth, and the diffusion of such knowledge, rather than mere guesswork based upon the researches of amateur prospectors, would finally produce the best results.

This is not a prospector's ideal gold field. Our gold does not lie in pockets, where by luck and after much research a fortune may be picked up in a day, and the average prospector of the Philippines may for this reason consistently give adverse reports against the reports of wealth in gold in Benguet.

Our product of gold will be found in what is generally classed as low-grade ore, though throughout the mineral range are found seams of varying thickness which are exceptionally rich, and it is the rule rather than the exception to find all assays of mineral-bearing ore exceeding in value \$10 to the ton.

Practically all of the central range through the province is mineral bearing, as well as the eastern range or central range of the district of Kayapa, also a part of this province. With such a large field of gold-producing ore there can be no question but that we safely may present and solicit the attention of capitalists desiring safe investments to the subject of mining in Benguet as a business, not as a prospect.

Whereas in the past this was an inaccessible district, now transportation is made available by the opening of the Benguet road and its maintenance throughout the year. Thus the investor may surely, safely, easily, and, compared with the past, at small expense transport his machinery to location.

With the limited means available at present the provincial authorities will do all possible to construct main roads toward mining localities, thus further facilitating transportation for those enterprises which would so much benefit the province.

We are now entering on that era in which we shall no longer speak of mining prospects, but of mines. Hundreds of prospectors have come and gone. We now have miners and mine corporations constructing and operating.

There have been 544 mining claims located within the province, of which 105 have been located in the past year.

The Benguet Consolidated Mining Company, represented by Mr. Eye, a mining engineer from Colorado Springs, Colo., with a capital of ₱200,000, have almost completed a new plant with modern equipment, with a capacity in its cyanide plates and stamp machinery of about 60 tons of ore per day. It is located in the Antamok mining district, and in their ore and dirt find only the one mineral—gold.

Ore is easily crushed, and the assays average \$14.80 per ton. Mr. Eye reports this to be an ideal mining country, calling my attention to that fact which will interest practical men that the lay of the country is such that all lodes and ledges may be tunneled, doing away with the expensive shaft, and that in consequence the drainage will be perfect, without the expensive annoyance so almost universally found in these ventures. The tunneling under his charge and direction has reached 220 feet.

In this same district, along the Antimok River, is located the Bua Mining Company. This company is organized with Manila capital on a basis of

\$200,000, though with almost unlimited backing. This corporation has possession of 20 claims, in which they have already constructed between 2,000 and 3,000 feet of tunnel and shaft. In their work they have developed 8 paying lodes, assaying from \$6 to \$40 to the ton and finding intervening streaks of high-grade ore.

Their plans for the coming year contemplate the construction of a large milling plant, as they are thoroughly convinced of the richness of their prospects.

On these claims are clear indications of past native work, showing by the Igorot tunnels that gold was taken from here under the Spanish Government probably a century ago. Throughout this region and in fact throughout the entire province sufficient water for milling power is readily found.

Also in this same district and on this same river are the pioneer miners, Clyde and Peterson. I may say these are also among the pioneer "prospectors" of this country, but I speak of them as pioneer miners because they are the first who, with machinery, extracted gold from the dirt of Benguet.

These men made their own mill, with its stamp, and with their own hands put it together again every time it would fall apart. It was a crude, flimsy piece of machinery, with an amalgamating plate so small that it would ordinarily be considered impracticable, probably about 2½ feet long, yet with their indomitable energy and perseverance these men worked about 300 tons of ore through this little mill, extracting about \$5 a ton and saving perhaps 60 per cent of the gold in the ore, the remaining 40 per cent being left on the dump.

I am not endeavoring to promote the mill as constructed by Peterson and Clyde, but state these particulars as proof of the richness of their claims, when, with such crude machinery, they can accomplish so much.

Opposite this valley, but within 2 miles of these workings, is the mine of Mr. Kelly. This prospect carries with it, as shown by its assays in the lode which he has most developed, both copper and gold, averaging between \$18 and \$20 to the ton, although he is developing another lode on the same claim that has no indications of any other mineral than gold therein.

He has between 700 and 800 feet of underground work done and finds the richest ore so far about 200 feet below the surface, all being graded tunnel work.

On the old Benguet road, perhaps 5 miles in an air line from the Kelly workings, is the Copper King mine, Geo. A. Mead, principal. The assays from this mine show gold, silver, copper, and lead, with an average value of \$20 per ton, although herein have been found small seams running into such enormous assays that it is best they should not be quoted. Rich in quality, but small in quantity.

They are now putting in a three-stamp mill, with a capacity of 5 tons a day. Throughout the district included by the Copper King there is fully 1,000 feet of underground work accomplished. There is no company connected with this mine, it being developed by the prospectors who first discovered it.

I have thus enlarged upon our natural resources in mineral because, after nearly five years' residence among these people and in charge of this province, I am becoming entirely convinced that there is an astonishing source of wealth awaiting our government through the yellow metal that will be taken from the mountains of Benguet.

To the investor I do not think that this field will be in any sense an experiment, but absolute certainty for returns, and generous returns at that. All those features which combine to make mining practicable are now to be found here. The timber necessary for the tunnel work grows on every claim. It is ample and easily obtained. Our forests are of pine, found in three different varieties, growing large, straight, and in most mining localities to the height of 100 feet. From these forests, and under the provisions of the forestry act, the Benguet Commercial Company, with one sawmill, is producing that timber which is necessary for the construction of houses, public buildings, and bridges.

PUBLIC INSTRUCTION.

In general the inhabitants of this province are Igorots, and education for them pursues in the main the same lines as those which have been considered most practicable in the several Indian schools in the United States. We have one central school, a provincial school, a boarding school in fact, in which are housed, fed, and schooled 100 Igorot boys. These boys come from every section of the province. They are selected at present, we holding to the principle that now in the beginning we should take advantage of natural qualifica-

tions and make that 100 the most progressive youths of the province, starting with the highest type obtainable and extending the same advantages to the masses as far as possible in the future. Of course the average attendance of this school is exceedingly high—something like 98 per cent. They are being taught practical work, use of tools in house building, making furniture, etc., blacksmithing, forging, making knives, spears, and all work in tempering steel, in which I am pleased to say they take an enthusiastic interest.

A school for Christians or Filipino children has been inaugurated in La Trinidad, in which the average is over 100 pupils, and a school in Bua, which we are endeavoring to turn into an industrial school for native girls, teaching them weaving and housekeeping, constitute all the schools in the province.

While we have but three schools we are perfectly satisfied that these three schools are doing a most efficient work, not only in education but in political culture, giving the people as well as the pupils right education in American progress and government.

HEALTH AND SANITATION.

For the first time I have to report that there is now no smallpox in this province. This has been a long fight, but by keeping a sanitary inspector out in the province vaccinating we have conquered this loathsome disease. There is but little sickness among the Igorot natives, and that little is malaria and rheumatism.

In the civil sanitarium located at Bagulo there have been six deaths. To this hospital we send all serious cases from the Benguet road employees and from the different mining camps. Two of these deaths were from accidental injuries.

The Igorots are meat eaters, but generally thoroughly cook their food. They are particular in drinking pure water. My oft-repeated assertion is that "They are dirty, but not filthy."

All of which is respectfully submitted.

WILLIAM F. PACK,
Governor of the Province of Benguet.

To the GOVERNOR-GENERAL,
Manila.

REPORT OF THE GOVERNOR OF THE PROVINCE OF BOHOL.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF BOHOL,
Tagbilaran, July 30, 1906.

SIR: I have the honor to submit the following report relative to the general conditions of this province during the period ending June 30, 1906.

POLITICAL CONDITIONS.

The present political conditions of this province are scarcely different from those of the year before. Complete peace and tranquillity prevail. The only disturbance was the work of certain persons belonging to a group of discontented ex-insurgents who under the pretext of protecting the rights of their fellow-citizens against the vexations that might be caused them by the authorities and for the purpose of concocting cabals have formed a sort of party from among some of the residents of Dimiao, Valencia, Carmen, Bilar, Sevilla, Loboc, Garcia Hernandez, and Jagna, the true purposes of which I have not yet been able to find out, though the presumption is that one of its ends is to exploit the ignorance and gullelessness of the people. They avail themselves of peaceful means and soft words to attract people to their ranks, and once the latter are members of the party they have contracted an obligation to obey all orders of the leaders and faithfully to continue members of the party forever afterwards, on pain of death. In view of this terrible menace persons tiring of the party and wishing to leave it desert by emigrating to other provinces.

One of the promises held out by the leaders to entice the gulleless and ignorant whom they wish to attract to the party was the assurance that from the moment

of their association they would be exempt from all obligations to the municipality. This gave rise to a disturbance which would have become an uprising against the municipal authorities of Dimlao had it not been for my timely intervention.

It so happened that the sale of property belonging to persons delinquent in the payment of the land tax having been ordered, the inhabitants of the barrio of Anapog of the municipality of Dimlao, who belonged to the party, familiarly known as alzamiento, who had been delinquent in the payment of the said tax since 1902, resisted the taking of any of their property by threatening the agents sent by the municipal president to execute the sale, with death. The latter seeing that their opponents were armed with bolos and in earnest and that their numbers were constantly increasing, were obliged to retire to the municipal building and report the facts to the president, who in turn informed this government without loss of time. - I immediately went to the pueblo and found that it had been completely cowed by the actions of the members of the alzamiento who, it was rumored, were coming into the town for the purpose of demonstrating that they did not acknowledge the legitimacy of the local authorities. I called them to order, disarmed them, and had them taken to the provincial jail on an order of arrest issued by the justice of the peace court of Dimlao upon the charge of sedition. They were 45 in number, all of them with the exception of three or four being peaceable people who know not what they do.

In addition to the event above described, a rumor that there was a group of persons organized in a similar manner to those now in prison created a disturbance of the public order in the pueblo of Carmen. The meeting place of the said persons was the barrio of Biabas of the municipality of Guindulman, and rumor had it that on the night of the 15th of last May they were coming into town for the purpose of sacking it and of making prisoners of the municipal officials. This also led me to make a hasty trip with the necessary armed force requested by the municipal president of the said town, though after all it was proved that there was nothing to the rumor that had been the cause of so much excitement.

Till recently the organization of the municipal police throughout the province left much to be desired, not only on account of the number of its members and its deficient distribution, but also because of its little or no efficiency and absolute lack of discipline. In none of the municipalities were the police better than the old cuadrilleros de somaten of the past rule.

Shortly after the convention of municipal presidents held last January in which, among other things, it was recommended that the provincial government find a means of providing the police of all the municipalities with firearms, a recommendation that was forwarded to me by the provincial secretary by wire to Manila, where I then was sojourning, I formed the idea of reorganizing the organization at all costs upon my return to the province. For the purpose of furthering this idea I personally advocated the adoption of the recommendations of the presidents to the proper authorities, and as a result of my efforts I am glad to say that a few days prior to writing this report I was informed that the measure had been carried through successfully, thanks to the kindly interest taken in the matter by General Smith and Colonel Baker.

One hundred and sixty-five revolvers and the ammunition and cartridge belts that I have received from the headquarters of the constabulary, third district, are now distributed throughout the municipalities.

In order to carry out my preconceived plan of reorganizing the municipal police, I have appointed Señor Felix Mendoza, an ex-constabulary sergeant, as chief inspector; and Señor Tomas Suarez, as assistant inspector, with powers to reorganize, drill, and inspect all of the police throughout the province as my representatives.

The monthly compensation assigned to these inspectors is ₱70 for the former and ₱55 for the latter, the same to be paid pro rata by all of its municipalities.

I cherish the most pleasant hopes that with this new organization the municipal police of this province will be brought up to the level, I will not say, of well-organized police, but, at least, of those who have a fair idea of their somewhat complicated obligations.

PUBLIC INSTRUCTION.

The enthusiasm of the inhabitants of this province over education has not diminished, in spite of the hunger that they have suffered from during the period of six months; for during the past fiscal year 23 schoolhouses were

erected and 18 others are in course of construction. The cost of same, defrayed in part by voluntary contributions in labor and money, is as follows :

Contributions in money.....	₱5, 373. 70
Contributions in labor.....	6, 402. 08
Total.....	11, 775. 78

Owing to the famine and the suffering caused thereby, and the drought which prevailed in this province from the month of January 1905, 9 schools were closed down until June, 1905, the time for opening the schools in this division During the month of July all of the schools at Garcia Hernandez and 18 other barrio schools were also closed in view of the impossibility of keeping them open. By August, 42 schools were closed down. Thanks to the copious rains in July and August, the farmers were able to plant corn and the famine was somewhat mitigated by the fair crop gathered in August and September; in the latter month and in October, 144 schools were open.

The following table is a résumé of the attendance by months :

Month.	Number of schools.	Enroll-ment.	Average attend-ance.
June.....	135	17, 826	12, 244
July.....	119	16, 413	11, 793
August.....	102	16, 006	10, 995
September.....	144	20, 023	14, 703
October.....	144	21, 345	16, 403
November.....	5	848	775
December.....	5	801	770
January.....	212	20, 906	15, 979
February.....	212	23, 213	18, 774
March.....	212	23, 621	18, 985

During the period between October 29 and December 23, 1905, classes were held in the normal institute at the municipalities of Tagbilaran, Tubigo, Loay, and Guindulman. The high school was also open during that time.

As a special favor the Honorable Philippine Commission generously granted to Filipino school teachers in this province, who certainly were receiving salaries insufficient to keep up the most necessary expenses of living in a style appropriate to the dignified position they have in the community, by a resolution passed last November, an appropriation of ₱6,000 from the funds set aside by act No. 797 from the Congressional relief fund, for the purpose of aiding said teachers and maintaining the schools in the province during a period of want.

In June, 1905, the Philippine Commission appropriated for the province of Bohol 3,000 piculs of rice, valued at ₱16,500, and ₱2,000 in money for the purchase of materials for the purpose of distribution among the municipalities requiring aid, said appropriation having been made in the nature of a loan. The distribution made was as follows:

	Piculs.		Piculs.
Dimiao	500	Antequera	100
Duero	200	Balilijan	110
Guindulman	200	Dauls	100
Ubay	150	Alburquerque	200
Talibon	200	Loay	60
Inabanga	100	Batuan	100
Tubigon	197	Carmen	100
Calape	200		
Loon	500	Total	3, 017

Out of the above amounts ₱11,630 in rice and money were used in the construction and repair of schoolhouses in the following municipalities:

	Value of rice.		Value of rice.
Loon -----	₱ 2, 750	Albuquerque -----	₱ 850
Inabanga -----	1, 100	Duero -----	1, 100
Ubay -----	825	Guindulman -----	550
Tubigon -----	1, 100		
Batuan -----	550		11, 080
Carmen -----	550	Cash to Ubay -----	550
Balilijan -----	605		
Dauls -----	550	Total -----	11, 630

It is probable that the construction of the two buildings for the high school and school of arts and trades will be completed about the middle of next November.

These two buildings will be erected with the ₱12,000 of the Congressional relief fund donated by the Philippine Commission out of the appropriation made by virtue of act No. 1275 and with the ₱16,000 that the province has as school funds.

The land upon which these two schools are being built covers an area of 1.56 hectares and possesses excellent sanitary conditions; it is the gift of several residents of Tagbilaran to that town which in turn has transferred it to the provincial government free of charge.

Another piece of land was also donated by several natives for the purpose of conducting agricultural experiments; it is about 18 hectares in area. For the improvement of this latter parcel the people of Tagbilaran have contributed ₱1,000.

SANITARY CONDITIONS.

I believe that Bohol, on account of its geographical condition, is one of the healthiest provinces in the archipelago; its changes of temperature are regular during the different seasons of the year and the majority of Americans and foreigners find no difficulty in becoming quickly acclimated.

Sanitary conditions have improved a good deal since the organization of the provincial board of health, owing to the precautions and sanitary measures adopted by it. During the fiscal year the number of deaths amounted to 3,551 Filipinos and 1 Chinaman, while during the fiscal year ending June 30, 1905, there were 4,790 deaths among the Filipinos and 1 Chinaman. The mortality rate per thousand among the Filipinos during the fiscal year was 13.24 and among Chinamen 6.66, while during the year before it was 17.87 among Filipinos and 6.66 among Chinamen. These figures show a notable decrease in mortality during the fiscal year, proving that the sanitary conditions of the province in general are better than they were a few months ago.

The most common diseases and those of an epidemic character which have caused the largest number of deaths during the fiscal year are as follows:

	Deaths.	Average mortality.
Intermittent fever.....	98	28.57
Pulmonary tuberculosis.....	83	11.00
Whooping cough.....	63	43.75
Diarrhea and enteritis in children over 2 years.....	30	50.00
Dysentery.....	16	32.00
Smallpox.....	59	24.08

This last disease compared with the epidemic which prevailed in the province last year when there were 350 deaths with a mortality of 30.41, shows a remarkable decrease, due to vaccination and the disinfection of infected houses which was carried on with perseverance by the provincial board of health from the moment that the disease reappeared in this province.

The other diseases mentioned are usual in hot and temperate countries; such as malaria and intermittent fever in their diverse forms. I am inclined to believe that said diseases prevail not because they are endemic in the province but on account of the deplorable lack of that medical attendance at the proper

* And ₱550 in cash.

time, which, in the majority of cases, would arrest the progress of the disease. This last assertion is proved by the fact that there is not a single pharmacy in the province and by the further fact that the majority of the victims of these diseases is made up of poor people unable to avail themselves of the aids of medical science.

Since the province was fortunate enough to possess a physician in the person of the president of the provincial board of health it has been noted that all sick people seeking medical advice have been attended to free of charge and even favored with a gift of the necessary medicines in view of the lack of a drug store where they could buy the same. In view of this fact I take the liberty of suggesting the advisability of establishing in this province a government pharmacy in charge of a competent clerk, or at least of an undergraduate of pharmacy.

Owing to lack of funds and of duly qualified persons, in accordance with the provisions of act No. 308, the province has no organized municipal boards of health, with the exception of that in Tubigon, where the said board is presided over by an undergraduate of medicine.

AGRICULTURE.

Insurmountable obstacles are in the way of the improvement of agriculture. The principal cause of its present depression is the lack of work animals. Rinderpest has again invaded this province. In the municipalities of Cortes, Antequera, Maribojoc, Loon, Calape, and Tubigon the following cases have been recorded:

Pueblo.	Number of cases.	Number of deaths.
Cortes.....	1	.....
Antequera.....	16	9
Maribojoc.....	28	23
Loon.....	41	17
Calape.....	24	9
Tubigon.....	3	2
Total.....	113	59

As an efficient measure to prevent the spread of this disease which constitutes one of the calamities of the Philippines, a strict quarantine has been established against the municipalities and barrios infected. All of the municipal officials, especially the inhabitants of the district where the cordon was established, are greatly aided in carrying out this measure.

Another measure adopted has been the quarantine of infected animals. In order to carry this out the provincial board appointed the necessary inspectors to care for the sick animals at the places determined upon by the veterinarian.

Although locusts have not caused great destruction to cultivated fields, the efficient help of the inhabitants of this province in their extermination has robbed the farmers of much valuable time. The following statement shows the amount of locusts caught and destroyed during the fiscal year:

During the month of July, 1905, 1,274 cavans of locusts, winged and otherwise, were caught and killed in the municipalities of Dimiao, Bilar, Sevilla, Sierra Bullones, Duero, Candijay, Guindulman, Jagna, and Valencia.

In the month of August, 1905, 250 cavans were caught and killed in the municipalities of Bilar, Mabini, Candijay, Anda, Guindulman, Duero, Jagna, Garcia Hernandez, Valencia, and Dimiao.

In the month of September, 1905, 236 cavans and 14 gantas of winged locusts were caught and killed in the municipalities of Duero, Sierra Bullones, Mabini, Candijay, Guindulman, Jagna, and Tubigon.

In the month of October, 1905, 20 cavans of winged locusts were caught and killed in the municipality of Candijay.

In the month of November, 1905, 49 cavans and 2 gantas of winged locusts were caught and killed in the municipalities of Loon, Maribojoc, Candijay, and Dimiao.

In the month of December, 1905, 92 cavans and 4 gantas of winged locusts were caught and killed in the municipalities of Albuquerque, Mabini, Candijay, Anda, Guindulman, and Maribojoc.

In the month of February, 1906, 230 cavans and 23 gantas of winged locusts were caught and killed in the municipalities of Bilar, Carmen, Duero, and Jagna.

In the month of March, 1906, 308 cavans and 7 gantas of locusts, winged and unwinged, were caught and killed in the municipalities of Bilar, Batuan, Carmen, Sierra Bullones, Candijay, Duero, Jagna, and Garcia Hernandez.

In the month of April, 1906, 330 cavans and 15 gantas of locusts, winged and unwinged, were caught and killed in the municipalities of Bilar, Duero, and Dimlao.

In the month of May, 1906, 168 cavans of locusts, winged and unwinged, were caught and killed in the municipalities of Bilar, Tagbilaran, and Calape.

In the month of June, 1906, 3,221 cavans of locusts, winged and unwinged, were caught and killed in the municipalities of Bilar, Balilljan, Sevilla, Loboc, Tagbilaran, Calape, Tubigon, Candijay, Duero, Dimlao, Mabini, and Guindulman.

A lack of good highways of communication and of money has contributed to the present agricultural depression.

There is scarcely any production of hemp and the same remark applies to copra.

The cultivation of maguey is becoming general throughout the province, and the municipal council of Tagbilaran, desiring to encourage the people, has offered a money prize to the person or persons setting out the largest number of maguey plants. Owing to a lack of sufficient quantity of seed in the province, the residents of Tagbilaran have had to seek it in the neighboring island of Cebu.

INDUSTRIES.

One of the principal industries of this province out of which thousands of inhabitants make their living, is that of fishing. The implements and methods used by the inhabitants are extremely rudimentary; however, they catch excellent fish in large quantities and provide, as they have always done, the market of the city of Cebu.

Other industries of this province are the making of sinamay cloth, piña textiles, burl and ticog hats and pocket cases, and the distillation of tuba. The condition of these industries are practically the same as last year. Prices have been low owing to lack of money in circulation.

FINANCE.

The following is a résumé of the revenues and expenditures of the province and municipalities during the fiscal year: ^a

Of a total of ₱70,931.95, balance June 30, 1906, ₱28,000 were appropriated for the construction of a high school and a school of arts and trades and ₱20,000 were appropriated by the provincial board at its session held January 22, 1906, for the construction of the bridges at Abatan and Mualong.

COMMERCE.

Commercial establishments have had to close down in many pueblos; boats of all kinds are tied up, and flourishing commercial companies have become totally bankrupt. In a word, commerce throughout the province is far from yielding a profit upon the capital invested.

RECOMMENDATIONS.

First. Considering the deplorable condition of agriculture, and the probable solution of the problem of roads and bridges, I respectfully suggest the necessity of suspending for at least five years that part of the land tax which is set aside for roads and bridges.

Second. It being a matter beyond doubt that the opening of the Tagbilaran canal, and the improvement of the port would be of signal benefit to the maritime trade of this part of the islands, and on the other hand, the opening of the said canal being, according to collector of customs, Mr. Shuster, of doubtful results—perhaps on account of its small importance at present—I take

^a This résumé is on file in the War Department.

the liberty of repeating my suggestion with regard to this point contained in my last report, with the amendment that the canal be made sufficiently deep for large vessels, at least as far as the wharf, in order to facilitate loading and unloading of ships.

Third. Fishing being one of the principal industries in this province, I respectfully recommend the advisability of establishing in the municipality of Tubigon a fishing school, where the most modern methods of the art shall be taught.

Fourth. In order to promote habits of economy and thrift among the inhabitants of this province, I respectfully ask for the establishment of one or more postal savings banks, in conformity with the provisions of act No. 1493.

Respectfully submitted,

SALUSTIANO BORJA,
Governor of the Province of Bohol.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF BULACAN.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF BULACAN,
Malolos, July 20, 1906.

SIR: In accordance with the provisions of act No. 1044, I have the honor to submit the following annual report for the fiscal year 1905-6.

POLITICAL CONDITION OF THE PROVINCE.

As I have been only a short time at the head of the government of the province, I can say little or nothing with regard to its political condition. It has been my observation, however, that the province of Bulacan maintains the most sincere loyalty and fidelity to the government, and that peace and tranquillity have been preserved, as the province is fully convinced that without these latter conditions every effort to achieve prosperity and welfare will be impossible. So true is this that when the bold raid upon the constabulary barracks at Malolos was perpetrated by the fanatical followers of Felipe Salvador on April 15, general indignation was felt throughout the municipalities of the province, followed by emphatic protests against so iniquitous an act, protests which characterize the perpetrators of the deed as traitors and enemies of the fatherland. The event gave rise to a convention of municipal presidents, in which a resolution was passed recommending that the honorable Philippine Commission enact a law declaring the so-called "Santa Iglesia" association, to which these crazy fanatics belong, both illegal and seditious.

It is a pleasure for me to record in this report the good sense shown by the people of this province. They are law-abiding and mutually respect one another. They harbor in their hearts the constant and vehement desire to strengthen the affectionate concord that should always exist between Filipinos and Americans, in order to work out the political future of these islands; and as they are extremely anxious for the establishment of the Philippine assembly, they reject all things that can in any way result in a disturbance of good order and tranquillity, and especially that signify an attempt upon or an injury to the sovereignty of the United States of America, that now rules the destinies of this country.

The province is confident that the great American people could do no less than act justly with regard to the lawful aspirations of the Filipino people, and in this conviction all of its political labor is directed towards the moral and material progress of its inhabitants.

In short, it is undeniable that a province like Bulacan, which maintains fidelity toward the government which rules it; that complies with the laws and has due regard for that mutual respect which the inhabitants should have toward one another; that works for its moral and material improvement, also supports the laudable purposes of the American people with regard to this country, and aids in working out the political ends sought to be achieved in the Philippines.

AGRICULTURE.

Although agriculture has suffered from no calamity during the year, the rice crop has been but fair, although sowing was made at the proper time and the plants developed sufficiently well, so much so in fact, as to give the planters hopes of an abundant harvest, though in this they were disappointed, as the ears when ripe yielded but little grain.

Such a result, according to the farmers, was due to the storms of last October. But closer observation discloses the fact that it was also due to the rudimentary methods of agriculture employed by our farmers, and to the lack of care and deficient cultivation due to a lack of draft animals, and to neglect in following the system of rotation of crops, which I believe to be a method that will aid the development of any crop. For the past three years observation has further disclosed the fact that there has been a decline in our agriculture.

There can be little or no doubt that as time advances we will continue to get the same results until our farmers acquire new experience in agriculture and desist from placing their sole reliance upon the fertility of the soil. A trial of modern methods carried through with modern agricultural implements would undoubtedly enlarge the horizon of our agricultural experience and yield the returns warranted by the fertility of our soil.

But even under all of the conditions described our efforts would fail, owing to the monetary crisis through which the farmers are passing, making it impossible for them to secure the capital needed for their agricultural labor; hence the long-felt want of an agricultural bank that has been universally recognized, the establishment of which would not be so difficult if the honorable governor-general were effectually to recommend it to the honorable body over which he presides.

This province, like others of northern Luzon, is essentially an agricultural one, but I believe that it would be useless to think of lifting it from its present prostration and to restore it to its former flourishing condition when large tracts of land, now abandoned, were in a state of cultivation by any means other than that proposed; for, in view of the lack of money, planters in spite of their best intentions, of their eagerness to introduce improvements, either in work animals, in agricultural implements, or in better labor would have to fold their arms and wait for nature alone to carry out their desires; hence it is our ardent wish that an agricultural bank be established as expeditiously as possible in order to remedy the precarious agricultural situation in this part of Luzon and especially in my province.

Owing to the reasons above given this province, though a sugar producer, has yielded but an insignificant amount of this crop for some years past, as the planters, in view of the scarcity of cattle and the high price of labor and of other expenses connected with the making of sugar that they are unable to meet, have been obliged to convert their cane fields into paddy lands, the return from which is not sufficient to pay the land tax. I beg you, therefore, honorable sir, to lend your whole support to the establishment of an agricultural bank, with the assurance that this province will be deeply grateful to you for it.

I am pleased to record in this report that the province has been able to set out fruit trees that will be a great benefit to it in a short time. I have distributed seeds of the candle-nut tree and hemp plant in some of the pueblos where I believe climate and soil are favorable for their cultivation, as an experiment.

In some of the pueblos of this province a system of manuring sugar lands has been put in practice, but as fertilizers cost money the efforts of the farmers, who have none, are bound to meet with disappointment.

In conclusion, I beg to state that in spite of the moderate crop of rice harvested in the province there is enough on hand to last till next harvest.

PUBLIC INSTRUCTION.

It can be said that there was no change as regards last year in the number of children enrolled and average attendance in the public schools of this province. However, I have noted that education is being extended in the most remote barrios, awakening the interest and enthusiasm of the inhabitants, and if this state of affairs continues, one of the generous efforts of the government and the constant and ardent desire of the people will soon be crowned with success.

The awakening of the people to the importance of education, now so evident, is a manifest sign that they are traveling the road of progress, and there can be no doubt that their advancement is due to the present system of education,

which is beneficial to all classes of society and adapts itself to all ages and grades of intelligence and is therefore worthy of the warmest applause.

The province has now a building of its own, used for a high school, which is attended by over 300 students, both boys and girls, and has a dormitory under construction. Some of the municipalities have been able to construct school-houses during the year.

I am glad, in conclusion, to record in this section that the pueblos of the province are ready for any sacrifice when the interests of education are at stake. So true is this that when the land tax was suspended and it was understood that it might lead to the closing of the schools, the pueblos petitioned the government not to suspend that portion of it which is assigned for public education.

I inclose herewith a special report showing the number of children enrolled and the average daily attendance.

SANITATION AND PUBLIC HEALTH.

The health of the province has suffered a great deal during the year. The cholera epidemic appears to tarry with us constantly and to show signs of becoming acclimated, leaving one pueblo for a time to pass on to another and so on successively, notwithstanding the efforts of the provincial and municipal sanitary authorities.

The sanitary condition of the pueblos is, relatively speaking, satisfactory, the inhabitants observing sanitary rules according to their station in life; for the present no more can be expected.

The cholera has reappeared with increased virulence in many pueblos of the province and has claimed many victims. This shows the great necessity of having a provincial doctor residing in the province. At present there is none on account of the enactment of the new sanitary law, which has divided the archipelago into districts.

As has been stated, under present conditions, a constant inspection of the pueblos by the head of the provincial sanitary department is very necessary, and, to speak frankly, the district comprising the four provinces of Pampanga, Bulacan, Tarlac, and Nueva Ecija, is entirely too large for any one man to control. I can do no less than bring this fact to the consideration of your honor.

COMMERCE.

I do not have to dwell very long upon this subject, for I have already stated that this province is an agricultural one, and there is but little commercial movement in its markets in comparison with others; however, it does a small amount of trading in rice, cleaned and uncleaned, sugar, etc., with Manila, the amount of trade last year being about the same as usual.

However, a development of trade between the pueblos of the province has been noted, an evidence of it being an increase in the collection of market taxes during the year.

INDUSTRIES.

The province manufactures silk textiles in Baliuag, piña and just at Hagonoy and Bulacan, cane, nito, and uway hats, cigarette cases, etc., in the municipalities of Baliuag, Quingua, and Calumpit, wooden shoes at Meycauayan, and cane chairs at Quingua and Gulguinto, of the municipality of Bulacan. Furniture, such as chairs and beds, are made at Baliuag, while Vienna chairs made of rattan, are manufactured at San Miguel de Mayumo. Saddlery and harness making is an industry at Meycauayan and Baliuag, and, lastly, there are eight rice hulling and cleaning machines in the province. No great development has been observed in these industries during the year.

FACTORIES.

The province has 11 distilleries and 45 cigar and cigarette factories, all of them in operation.

MINERAL RESOURCES.

In the hills near San Miguel and Angat, especially at the latter place, there are several iron mines, some of which are being worked on a small scale, only sufficient iron being taken out to supply the material for plowshares.

Timber of all sorts and groups also exists in the mountains, constituting veritable forestry wealth.

NONCHRISTIAN OR PAGAN TRIBES.

There is a small settlement of Aetas in Mount Katuiran, district of San José, municipality of Santa Maria, while there are many members of this tribe in the mountains of San Miguel and Angat; they have no fixed residence and are so nomadic that they are constantly changing from place to place.

FINANCIAL.

The provincial treasury has been able to meet all of its current obligations during the fiscal year 1905-6 and, after making improvements that I will mention further on, have a considerable surplus left over.

The internal-revenue tax is now giving favorable results. The conflict brought about at the time of its introduction by the difficulties between owners and workers of nipa lands, who saw their interests decline on account of the attitude assumed by the distillers in keeping down the price of tuba, appears to have been done away with by a rearrangement of their relations. However, the enforcement of the law has decreased revenues, both provincial and municipal, about ₱40,000.

The financial condition of the province during the fiscal year, and that of the municipalities, could not have been more flattering. In order that this may be fully appreciated I inclose herewith a report of the provincial treasurer.

PUBLIC WORKS.

During the fiscal year the province has been able to construct a high school, four steel and concrete bridges, three of which are on the Angat road and one on the road to Malolos, and repair several roads.

A dormitory school is under construction, and the acting district engineer is at present engaged in drawing plans for several bridges. Ferries are being placed in certain rivers to serve until the bridges are built.

RECOMMENDATIONS.

Agriculture being the only source of wealth in this province, I would recommend, as my worthy predecessor did in his reports, that in addition to the establishment of an agricultural bank, which, as I have stated, is sorely needed, a system of irrigation for the province be introduced, as it would be not only practical but beneficial.

The pueblo of Angat is situated at a higher elevation than the pueblos of the south and east of this province, such as Bigaa, Bocaue, Santa Maria, Marilao, Meycauayan, and Polo, and as the Angat River, which has its source in the mountains of Nozagaray, furnishes a supply of good drinking water, it could be utilized by the other pueblos referred to.

I believe that an irrigation system could be provided for the said pueblos by the building of a canal which, starting at the Angat River, would ramify at convenient places in order to supply the said pueblos, and by building a dam and reservoir at the head of the canal, which would be capable of taking care of surplus water from floods and thus prevent the inundation of said pueblos.

I do not think that the survey would be either difficult or long, nor would it cost much to execute the work, considering the location of Angat and the irrigation system I recommend. I can assure your honor that if it is put through the said pueblos will receive an immense benefit to their agriculture and in other ways, as at present they are obliged to draw their supply of drinking water from wells that during the dry season are unsanitary.

The pueblos in the western part of the province, such as Malolos and Bulacan, can get their water supply from the Quingua River, also by means of canals, the conditions being similar to those described with relation to Angat.

I seize this opportunity to recommend the organization of a rural guard for the protection of agriculture which, as your honor will understand, is always exposed to more or less danger of being harmed either by animals or as a result of vengeful feelings toward the farmer, who is unable to prevent such harm.

A sugar planter who should refuse to give away his cane when asked for it, or a farmer who should catch cattle in his fields and turn them over to the authorities, resulting in a fine to the owner, would frequently be the object of vengeance on the part of the alleged aggrieved parties, who would either destroy his crops or set fire to his property. The same thing applies to the rice farmer.

I have had this consideration in mind in advocating the organization of a rural guard that would not only protect the farmer, but also the people from abuses at the hands of the former. Moreover, we all know that agriculture develops best in times of peace and therefore needs efficient protection that can not be furnished now by the small number of municipal police who are unable properly to guard the fields.

Aside from the foregoing, in recommending the organization of a rural guard I have had in mind the fact that such a corps could, while it protected agriculture, act as agent of the bureau of agriculture whenever it desires to give instruction with regard to the cultivation of any crop or experiment thereon or to collect any information with regard to agriculture.

In making these recommendations I do not doubt that they will be given due consideration by your honor, and I therefore beg to express to you beforehand my most sincere gratitude in the name of the province of Bulacan.

Respectfully submitted.

T. SANDIKO,
Governor of the Province of Bulacan.

The GOVERNOR-GENERAL.

APPENDIX A.

Department of public instruction.

BUREAU OF EDUCATION, DIVISION OF BULACAN,
Malolos, P. I., July 24, 1906.

SIR: I have the honor to submit herewith my annual report of the schools in Bulacan.

The schools in Bulacan Province have made excellent progress during the year. The teachers, both American and Filipino, have worked faithfully in bringing the standard of the schools up so that they are at present second to none in the Islands.

During the year there were in the province 25 American, 11 insular, and 163 municipal teachers.^a

The work of the American teachers is divided into several classes. Six of the 25 American teachers taught in the high schools, 6 taught in the intermediate schools, 2 taught in the primary schools, and the remaining 10 were supervisors in the various districts of the province.

The insular teachers uniformly taught third grade work and the work of the 163 municipal teachers consisted of teaching pupils in the three primary grades.

Schools are organized in all of the municipalities and in all of the largest barrios. There are but few barrios which are not in easy access of some public school.

SALARIES.

The average salaries of American teachers in the province is ₱201.42; the insular teachers receive an average salary of ₱58.33, and the average salary of the municipal teachers is ₱22.54. This makes the average salary per teacher for the entire province ₱46.51.

During the year the province of Bulacan erected a high school building at a cost of ₱32,000, and Bulacan now has a high school building which is in every way a modern and up-to-date building. There is at present under construction a dormitory for girls, which will soon be followed by a dormitory for boys.

INDUSTRIAL WORK.

The greatest need in the province at present is the opportunity for doing organized industrial work. In connection with the high school building we should have a trade school, where wood working and iron working could be taught. Steps should be taken to obtain from the insular government a tract of land from the Lolomboy estate large enough for an agricultural school. We have, however, done work in gardening, weaving, sewing, and other forms of industrial work. This year we have added a course in domestic science and mechanical drawing to our high school course.

^a Table showing distribution on file in War Department.

We need three intermediate school buildings—one in Bulacan, one in Baliuag, and the other in San Miguel.

The attendance generally has been very satisfactory, except in the towns of Hagonoy and Quingua, and averaged 85 per cent of the total enrolment. The support of both the municipal and provincial officials has been quite satisfactory. The loyalty of the people generally has been very good.

Very respectfully,

H. H.,
Division Superintendent.

The honorable Governor SANDIKO,
Malolos, P. I.

NOTE.—The following tables accompanying this report are on file in the War Department:

School statistics, showing number of school, pupils, and teachers.

Financial statements, showing receipts and expenditures.

Expenditures on public works.

REPORT OF THE GOVERNOR OF THE PROVINCE OF CAGAYAN.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF CAGAYAN,
Tuguegarao, July 25, 1906.

SIR: I have the honor respectfully to submit to your consideration, in compliance with the provisions of act No. 1044, the following annual report, corresponding to the fiscal year ending June 30, 1906:

POLITICAL CONDITIONS.

Political conditions could not be more satisfactory; the inhabitants of this province are as law-abiding, peaceable, and orderly as any citizens; hence no obstacle is encountered in the development of their initiatives other than those wont to be encountered in practice, among them being the financial condition of the province and of all of the municipalities, which have scarcely sufficient funds to meet their most urgent expenses, and this is the greatest difficulty of all.

In the last elections the candidates for municipal office demonstrated their good sense in all of their actions and the nobility of their conduct, the electors giving evidence of the fact that outside influence is of little or no value with them, they having freely exercised the franchise in favor of the candidates they most approved; and the protests filed—but few in number—were, as a general rule, justified and immediately acted upon by the provincial board, in accordance with the dictates of equity and justice.

During the fiscal year thefts of work animals greatly diminished, owing to the activity of the senior inspector of constabulary in this province, with whom I have always acted in concert with regard to this matter, and to the efficient and disinterested cooperation of the municipal presidents of this province.

It can almost be asserted that gambling houses no longer exist, as those formerly running at Santa Cruz, in the district of Abulug, were raided last May, owing to the activity and zeal displayed by the presidents of Abulug and Aparri, who were ably seconded by the municipal police of both pueblos, with the result that the gamblers were caught and severely punished.

The presidents and sergeants of the municipal police of each of the municipalities in this province have strict instructions to keep a watch on all of the principal gamblers in their respective towns.

ADMINISTRATION AND PROGRESS OF THE PROVINCIAL GOVERNMENT.

Progress has been noted in the administration of the provincial government of this province and in all of its departments, as a result of the efficient cooperation of the provincial officials and the peaceable character of the people. If the inhabitants of the province continue to follow the course that they have elected they will doubtless be entitled to greater autonomy in the government of their own province and that of the municipalities composing it.

The docile inhabitants of Cagayan perform their duties as citizens by helping to share the burdens of the State, even at the cost of sacrifices to themselves, without protest; by giving their cooperation to the repair of roads and bridges,

and to the construction of all public works; by faithfully obeying the ordinances of the municipal councils, enacted for the common welfare, or by peacefully and quietly protesting against the said ordinances if they find them to be burdensome or prejudicial to the interests of the community.

AGRICULTURE.

For the past three years some progress has been made in agriculture, thanks to the cooperation of the municipal presidents and councilors, who, at my request, induced the farmers of this province to experiment with the cultivation of maguey. The results obtained have been quite satisfactory, as I have had occasion personally to observe during my visit of inspection to the pueblos of Abulug and Claveria, where the best crops have been obtained. This has so encouraged other farmers that they have sent to Ilocos for seeds of this plant.

The maguey produced in other municipalities of this province can not be properly estimated, as the plants set out have not yet reached their full development.

I also induced other agriculturists who have not desired to cultivate maguey to take up the cultivation of cocoanuts, heretofore grown only in the district of Itaves, which furnishes all of the copra sold in this market. I believe, however, that the results will not be very satisfactory, as the nuts produce but little meat when compared to those grown in the provinces of Rizal and La Laguna; consequently the quantity of copra yielded will be very small and of inferior quality.

As regards the cultivation of tobacco it offers but little encouragement, owing, perhaps, to the low price quoted in Manila, which is due to lack of foreign markets. The same remark applies to the cultivation of the nipa plant, the sap of which is converted by fermentation into nipa wine. This industry has so declined that large tracts of nipa lands have been abandoned both in Aparri and at Abulug, Pamplona, and Buguey, where formerly these lands furnished one of the principal sources of revenue to the inhabitants of the said pueblos. Powerful reasons can be assigned for this critical condition of affairs—reasons which I will dwell upon when dealing with the subject of commerce.

COMMERCE.

One of the principal sources of wealth of this province at the present time is tobacco. I have already spoken of the discouragement felt by the generality of the planters in this province, it being due to the following causes:

- 1. The principal cause is the lack of of a market for tobacco, to this fact being attributed the low price paid in Manila.
- 2. To the failure to abolish or reduce the Dingley tariff and to the high customs duties.
- 3. To the internal-revenue tax on manufactured tobacco, making competition with imported tobacco impossible.

Considering the foregoing it can be easily understood why the principal commercial houses established in this province engaged in the tobacco trade, in order to protect their interests will buy tobacco only after a strict classification has been made and a thousand requirements complied with, as a result of the ruinous consequences of which the poor planter feels discouraged.

The nipa distilleries, the principal industry of the pueblos of Abulug and Pamplona, have nearly all been closed down, the owners having been compelled to do so owing to the high taxes on vino imposed by the internal-revenue law. If to this are added the latest provisions of the internal-revenue bureau requiring distillers to provide themselves with demijohns, iron tanks, and graduated glass measures, as well as to provide regulation warehouses, there can be no doubt that in a short time all of the distilleries in the province will be forced to close down.

Convincing proof of my assertion is to be found in the following table:

Pueblos.	Distil- leries.	Year.
Abulug	50	1904
Pamplona.....	32	
Abulug.....	24	1905
Pamplona.....	17	
Abulug.....	30	1906
Pamplona.....	12	

The condition of commerce in general throughout the province is deplorable, passing as it is through a critical situation. The cause of the penury in the pueblos of Abulug and Pamplona is found in the above table; pueblos formerly prosperous, but now so poor as to be scarcely able to pay their debts.

I again insist, honorable sir, upon the necessity of beginning work on the opening of a canal to unite the Linao River with that of Abulug, in order to facilitate transportation of forestry products and rice, which is harvested in large quantities in the pueblos of Claveria and Sanchez Mira. At the present time the said pueblos have scarcely any trade, owing to the difficulty encountered in the transportation of their products.

HIGHWAYS OF COMMUNICATION.

Communication in this province is effected both by river and by land. As stated in my former report, the river route can not be used at all seasons of the year, especially by launches or barangayanes of much draft. In order to make navigation possible at all times it will be necessary to provide this province with one or two dredges for the exclusive purpose of removing deposits of sand or mud formed after each freshet; it is also necessary to remove some rocks in the channel by means of dynamite.

Every possible effort is being made to improve the highways of communication by land. In addition to the bridges mentioned in my last annual report, which are now finished, at the pueblo of Amulung there are two bridges in course of construction that are nearing completion. The iron bridge at the municipality of Aparri is nearly in place, the only thing lacking now being the completion of the approaches, and I believe that they will soon be finished.

FINANCIAL CONDITION OF THE PROVINCE.^a

In speaking of agriculture and commerce, I have demonstrated the precarious and critical condition of the inhabitants of this province. I have shown that there are but few buyers of tobacco, owing to the large stocks in the warehouses at Manila that have been unable to find an outlet in the foreign market, and I have also shown that the vino industry is about to disappear owing to the impositions of the internal-revenue law.

As regards the financial condition of the municipal treasuries, and more especially that of the provincial treasury, though not prosperous, it is sufficiently satisfactory. This is especially true of the latter, notwithstanding the fact that it has lost two of its principal sources of revenue—the industrial tax and the forestry tax—as a result of the operation of the internal-revenue law.

PUBLIC INSTRUCTION.

The enthusiasm of the young people in Cagayan over education has not wavered for one single moment from the inauguration of civil government in this province to the present time. The attendance in all of the schools throughout the province is constantly increasing to such an extent that the building erected in this city for a provincial school has proved to be too small.

PUBLIC HEALTH AND SANITATION.

Speaking generally, the health of the province is quite satisfactory, though it is true that malarial fevers are never absent and have become endemic.

There have been no cases of smallpox or cholera during the fiscal year.

The average mortality during the fiscal year was 22 per 1,000 and the average of births 46.44.

DISEASES OF DOMESTIC ANIMALS.

A few cases of gastro-intestinal diarrhea among work animals, cases of virulent bronchitis, followed by death, and due, according to the district veterinarian, to the great heat and drought of the last two months, and to lack of care, have occurred in the province.

^a Financial statement accompanying this report is on file in the War Department.

BATANES ISLANDS.

As regards the political conditions of these islands, their inhabitants are submissive and loyal to the constituted authorities, although during the late municipal elections peace and harmony among them suffered.

In view of this fact, I took advantage of the trip of the coast-guard cutter *Balabac* to said islands by sending my provincial secretary—being unable to go myself on account of sickness—with instructions to take every possible measure to pacify the inhabitants, and, when this was done, to make them see the advantages of peace and harmony and the duty they owe to the persons elected of aiding them in all that tends to the improvement of the islands. I believe that he was successful in this, considering the condition of peace and tranquillity now prevailing there.

As regards their economic condition, the Batanes Islands are in a deplorable situation. Their insignificant trade in cattle and pigs, garlic, onions, and sweet potatoes having been destroyed, their livelihood has been taken away from them. In view of this fact, I respectfully suggest to the honorable Commission the great necessity of sending maguey seeds from the lot secured by the Government from Hawaii to said islands. Vegetable and other seeds should also be sent to the inhabitants of Batanes in order that their economic condition may be improved, as I believe that they are entitled to the best of treatment owing to their loyalty and fidelity to the constituted government and to the further fact that they have been conscientious in the performance of their duties as good citizens.

As regards their financial condition, it is fairly good.

Public health and sanitation are in good condition; however, there are many cases of malarial fevers and skin diseases, the latter being due to the fact that the food of the inhabitants of these islands is made up almost exclusively of fish and other products of the sea.

Respectfully submitted.

PABLO GUZMAN,
Governor of the Province of Cagayan.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF CAPIZ.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF CAPIZ,
Capiz, August 1, 1906.

SIR: Pursuant to the provisions of act No. 1044 of the Philippine Commission, I have the honor to forward my annual report for the fiscal year ending June 30, 1906.

The short time that I have been at the head of the government of the province of Capiz, dating from March 5, 1906, when I took possession of the office to which I had been elected by the suffrage of my fellow-citizens, is perhaps insufficient to produce a report as finished and complete as I would desire with relation to the commercial, agricultural, economic, financial, industrial, and political conditions prevailing in this province and, above all, which prevailed therein from the time that my predecessor submitted his last report until I took charge of the province. However, I shall endeavor to give as exact an account as possible of the condition of the province of Capiz during the fiscal year just ended.

AGRICULTURE.

Little by little decadent agriculture in this province is being restored to its former prosperity by the efforts of the farmers.

The rice harvest collected in the months of September, October, and November, 1905, was somewhat ordinary and would have been quite fair had not several plantations been attacked by worms known in the locality under the name of *tamasok* and a disease called *latá*, which left the plants wilted and unproductive.

During the months of May and June, 1906, the plantations of this staple article

of food were set out with some regularity in the northern pueblos of this province where there has been an abundant rainfall. The same thing can not be said with regard to the pueblos in the interior or southern part, where the rains have been scarce. Reports of the appearance of locusts were received and orders issued for their extermination.

Although there is a considerable disposition to extend plantations of perennial plants, such as the cocoanut tree, a thing that I have greatly recommended during my visits to the pueblos, this desire on the part of many inhabitants is frustrated, when they possess the necessary money, by a lack of labor, while in other instances, even were labor available, funds are not.

Compared with former years the cocoanut crop has been small, but the planter finds compensation for his work in the good prices paid for copra in the markets of these islands. Hemp, which is produced in the municipalities of Tapas, Jamindan, Libacao, Calivo, and Ibajay, is quoted at high prices in Manila.

There is also a desire manifested to extend the cultivation of this textile plant in accordance with my recommendations in the pueblos where, like in those mentioned, hemp can be grown; but this laudable desire can not be realized on account of lack of labor. The day that machines for stripping hemp are an accomplished fact this problem will be solved, and perhaps it is not too much for me to say that this profitable plant will be cultivated in other parts of this province, as it yields such good results to the grower.

The cultivation of the sugar cane has increased in comparison with former years, but the production is far from being one-fourth of what it was prior to the revolution, and owing to the low prices paid in the markets of Manila and Iloilo for this staple, planters have become very much discouraged and doubt whether they will be able to make their expenses.

As I have already stated, the desire to restore agriculture to its former prosperous condition when it was the source of the wealth of this province is quite marked, but it fails of realization on account of lack of money and of labor, the only two things capable of lifting it from its present state of depression. Some planters have been able to acquire modern agricultural implements, such as disk plows, but others who have but a few cattle have to adapt themselves to the use of the old-style plow, while the majority are compelled to use the hoe in the cultivation of their rice fields, a thing unknown in this province prior to the year 1901.

The people having learned a lesson from past poverty, have planted food-producing crops, such as rice, corn, sweet potatoes, and other tubers, which, though serving to keep the equilibrium of life, allow nothing for progress. In order to achieve the latter, it is necessary for agriculture to produce sufficient for export. However, I believe everything possible has been done to get out of a situation so critical that staple articles of food had to be imported from Manila. If the establishment of agricultural banks were an accomplished fact, there can be no doubt that agriculture could be more easily lifted from its present prostration.

COMMERCE.

Mercantile transactions during the fiscal year show a certain parity between the articles imported to and exported from this province, the difference being slightly in favor of the latter, for whereas there was an importation of rice last year which reduced the amount of money in circulation, this year there was an exportation of that article to a small extent.

From statistics furnished by merchants of the port of Capiz it is seen that 3,550 cavans of rice were shipped to Iloilo, Romblon, Calivo and other adjacent islands; these figures refer to palay; of cleaned rice 4,981 cavans were shipped. Other shipments made were as follows: 25,215 panochas or sugar cakes, 900,900 bayones or sacks, 80,951,784 window shells, 413 piculs of copra, and other articles of minor importance. The prices quoted in this market for the above articles are as follows: Palay, ₱1.90 a cavan; rice, ₱4.10; bayones, ₱3.50, per hundred; panocha, ₱6 per hundred; window shells, no demand, ₱1.25 per thousand; copra, ₱6 per picul.

The president of Calivo, Señor Cirilo Laserna, has furnished me with the following information with regard to the commerce in that municipality during the fiscal year:

Purchases.

Rice from Manila and Capiz-----	₱95,505.37
Foreign textiles and goods-----	338,604.06
Petroleum -----	8,578.62
Salt -----	3,856.78
Leaf tobacco -----	6,719.01
Small red beans-----	1,112.80
Flour -----	7,100.50
European beverages and groceries-----	12,978.68
Manufactured tobacco -----	6,203.46
Sugar and caramels-----	900.00
Crude opium -----	5,014.44
Candles and wax-----	281.00
Total -----	486,854.72

Sales.

Sinamay -----	₱354,730.92
Hemp -----	177,238.94
Copra -----	73,426.84
Bayones -----	10,633.75
Firewood -----	955.99
Leaf tobacco -----	1,200.00
Oil -----	902.20
Total -----	619,088.64

I very much regret being unable to furnish more details with regard to other articles and to specify those imported on account of my lacking correct figures. This defect would be obliterated if the government were to enact legislation which would tend to furnish provincial governments with the means for compiling commercial statistics without infringing upon commercial liberties. This could be accomplished, in my humble opinion, if every vessel, steam or sail, were required to leave a copy of its manifest with the municipal president or with the *teniente de barrio*, as the case might be, and these officials were required to forward said manifest to the provincial governor.

ECONOMICS.

The economic condition of the province is relatively better than last year. Formerly the inhabitants of this province were scarcely able to provide themselves with the necessities of life, as even rice, which constitutes their principal food, had to be acquired at high prices from Manila, while now this no longer holds true as there is a sufficient stock of this staple in the province for local consumption. Owing to this fact the inhabitants of Capiz have been able to devote their energies to other things and the provincial treasury has consequently been relieved of some of the debts that it had contracted.

As real property is widely distributed and the people have come to understand that efforts expended on the cultivation of land bring forth good results, enabling them to obviate hunger and poverty, the result has been a lack of labor felt by the larger planters.

But as production has been only sufficient to give the people the wherewithal for their food and clothing and to pay the taxes on their land, there is not much money in circulation. It can be stated that at present production is equal to consumption.

Owing to lack of money in circulation it is not easy to find capital and when found it can only be secured at very high rates of interest. Generally it brings in at least 25 per cent.

With respect to economy in the administration of the provincial government, the provincial treasurer is considering a plan which he is going to submit to the Commission.

FINANCE.

The financial condition of the province and municipalities is quite encouraging, due to the fact that the natives have been able to produce sufficient for their wants and to pay their taxes.

In order the better to show this condition, I submit the following statement of the provincial treasurer:^a

We have paid all of our ordinary expenses and ₱20,000 of debts, including ₱15,000 to Manila borrowed in 1903. The year before we paid ₱10,400 of debts, while the year before that our indebtedness increased ₱3,500. Our municipalities are in excellent condition as aside from the ₱12,621.28 on hand as shown above, every pueblo in the province has a deposit in the provincial treasury, the total amount of such deposits being ₱22,611.81.

The above is taken from the information furnished by the provincial treasury.

In referring to this department of the provincial government I can do no less than mention the good services rendered by the provincial treasurer, Mr. F. S. Chapman, which have redounded to the benefit of the province and of the municipalities. Before Mr. Chapman took charge of the treasury, it was in a critical condition, as were the municipalities, but now, as I have already stated, the financial condition of both is very encouraging. The municipal treasuries have now funds on deposit with which to meet their ordinary expenses. The provincial treasury has been able in two years to pay off ₱25,000 in debts besides meeting its ordinary expenses.

PUBLIC INSTRUCTION.

The fiscal year just ended has been signalized by a development of educational interests in this province under the wise direction of the division superintendent of schools, Mr. G. E. Walk. There has been a pleasing growth in practically all of the departments. The enrollment of pupils has been so large that great difficulty has been experienced in providing sufficient teachers and adequate equipment of schoolhouses and furniture. A considerable amount of work has been done in the construction and repair of central and barrio schools. The cooperation of municipal officials and the interests of the people has in general been very satisfactory.

The prospects for the coming school year are even more encouraging. Great efforts are being made to systematize courses and methods of instruction in all of the schools. It is hoped that provision of teachers and adequate equipment will be made to assure full instruction to 13,000 pupils on ordinary days of attendance. Plans have already been drawn for an intermediate school at Calivo and for a schoolhouse for the provincial high school at Capiz. The present enrollment of the high school is the largest in its history. Work on the industrial school of Capiz is being carried forward more systematically and progressively than heretofore. The interest being manifested in this branch of popular education indicates the possibility of accomplishing great practical benefits.

Taking into consideration the harmonious interest and efforts of the teachers and superintendent and the warm cooperation of the people and officials in connection with the general improvement in financial and industrial conditions, it is reasonable to hope for greater improvement during the coming year along all lines of educational endeavor.

INDUSTRIES.

The industries of this province are to-day reduced to those which may be termed manual, there being no manufacturing done by machinery. The principal industries are the manufacture of bayones, nipa, sinamay, hats, and the cleaning of rice.

Bayones are produced in the municipalities of Capiz, Yulsan, Panay, Pontevedra, and Calivo, principally by women who work in their own homes. There is a great consumption of these sacks for the packing of sugar, though owing to inferior make bayones took a drop in the Iloilo market last year. In order for this industry to again become accredited, several dealers and manufacturers held a meeting in the municipal building upon call of the president, Señor Manuel Arnaldo, and passed the following resolutions:

"1. That the municipality make samples of bayones to be distributed in the barrios or exhibited at visible public places where they can be seen by manufacturers and dealers, with the suggestion and advice to the former that they

^a This statement is on file in the War Department.

make all sacks in accordance with the samples as regards dimensions, workmanship, and quality of material.

"2. That a committee be appointed from among the merchants and manufacturers to be composed of Messrs. Eleuterio Acuña, José Hernandez, Mariano Chiyuto, C. S. Salmon, Francisco Villarruz, and Chino Baga, to furnish the municipality with the necessary information relative to the dimensions, workmanship, and material, in such manner that the samples to be exhibited by the municipality may be made in accordance therewith.

"3. These suggestions of the municipality were accepted and approved by the undersigned.

"4. The committee appointed shall see to it that these suggestions are complied with.

"5. Bayones sold in bales shall be all alike, the first as well as the last layer.

"6. In order to comply with these requirements the merchants and sack makers agree, first, not to buy bayones that are not in every way like the models furnished by the municipality, and the second, not to manufacture them; provided that larger and better sacks than the samples may be made but never inferior ones.

"7. A penalty is hereby established for manufacturers and for merchants violating the above agreement. This penalty shall consist in a fine of ₱100, which shall be paid by manufacturers of bayones of an inferior quality as compared to the sample, and by merchants purchasing same.

"8. The committee appointed shall have the duty of enforcing the said penalty by any means it deems adequate for the purpose.

"9. Fines so collected shall be turned into the municipal treasury and credited to the school fund.

"10. When any manufacturer or merchant shall learn of any other manufacturer or merchant who has violated the conditions of this contract it shall be his duty to denounce him to the committee in order that the latter may exact the penalty provided therefor.

"11. If any manufacturer or dealer after having joined in this agreement withdraws therefrom and manufactures bayones of inferior grade or that are not in conformity with the samples, or buys such sacks, he shall be denounced to other manufacturers and dealers as a manufacturer or dealer of bad faith, as the case may be.

"12. Considering the importance of this agreement, the manufacturer or dealer refusing to become a party to it shall be held to be an enemy to the development of the bayon industry in this province and shall be denounced as a manufacturer or dealer of bad faith.

"13. That the municipal president of Capiz be petitioned to have the provincial governor make this resolution extensive to all of the pueblos of the province by communicating same to all of the municipalities."

This measure had a truly favorable effect, as the esteem in which the Capiz bayones were held has been renewed.

The industry of nipa weaving for ceilings has suffered no change, the product selling at the same price as during former years.

Sinamay, which includes textiles of hemp, jusi, and plña, was one of the most lucrative industries in the province, especially in the pueblos of the west, but now that there is little demand for it in the Manila market prices of sinamay have dropped considerably. Some account for this fact by the many pueblos in the Philippines making this textile, others because the domestic consumption has fallen and very small quantities are exported. My belief is that, in addition to the reasons given, there is the fact that well-to-do persons now use European dress and no longer require sinamay.

Nor is the making of hats an industry on a large scale; they are made by women in their own homes as an additional source of income to eke out their expenses for food and raiment. Rice hulling is also carried on by hand, as the machine for that purpose owned by an American in this city has been obliged to close down owing to his inability to secure rice in sufficient quantities. This is due to the fact that producers of that article have been holding it with the prospect of a rise in price, justified by the further fact that they sometimes are able to secure good prices from small rice hullers and cleaners, who carry on the industry by hand. The day that the farmers are able to reduce the price the rice-hulling industry will be conducted on a scale sufficiently extensive to supply the Iloilo and Negros markets. Formerly there was a rice-hulling machine here which made a good profit, but since the revolution it has been closed down.

FACTORIES.

With the exception of a dozen primitive sugar mills run by animal power, and an equal number of wooden mills for hulling rice, there are no other factories in operation. Although almost every house contains one or two looms for the weaving of sinamay, I think it scarcely appropriate to denominate them manufacturing establishments, for the reason that there are no operatives other than the owner's family.

The distilleries, that formerly gave employment to a large number of persons and were quite profitable to the owners of nipa lands, have been entirely shut down since the inauguration of the internal-revenue tax, with the result that nipa growers have been reduced to extreme poverty and are obliged to pay taxes on property which yields them no income.

NATURAL RESOURCES.

There is now but little forestal wealth in this province which can be worked, on account of the difficulty of transportation. For this reason very few of the inhabitants have taken out licenses for the cutting of timber and there are extremely few who have availed themselves of the privilege of utilizing timber, other than that of the first group, for the construction of their dwelling houses.

Shipments of firewood of the first and second group and of nigue have been sent from New Washington to Manila; there have also been shipments in smaller amounts than last year of firewood from timber of the first group from Pilar to Iloilo.

As regards mineral resources, there has been no development along that line, though it is hoped that, with the coming of the railways, the day will not be far distant when such development will take place.

PAGAN TRIBES.

In the mountains lying in the district of the municipalities of Tapas, Jamin-dan, Libacao, and Malinao, as far as Ibajay, and which border on the provinces of Iloilo and Antique, there are some 6,000 non-Christians forming several settlements, or, rather, groups governed by chiefs for whom the elders in each community act in the capacity of advisors.

Some of these people, who have established relations to a certain extent with the pueblos in order to be able to purchase such merchandise as they need in the way of dress and to sell their products, the principal of which is hemp, are baptized and pay the cedula tax. Their products are more than sufficient to provide for their meager necessities.

They do not use cattle for the cultivation of their lands, so that the rice planted by them in the hills by the calñgin system needs but little cultivation, while irrigation is never resorted to for this purpose.

These people seal their so-called pacts of amity by an operation known as sandugó, which consists in making a small incision on their bodies sufficient to permit the flow of blood, which is mutually sucked by the parties to the pact.

Polygamy is practiced among these non-Christians.

They are respectful when in town and at times show gratitude to persons to whom they believe themselves indebted for favors by the making of presents; but they are also vindictive and can not forget old grudges, going to the extent of committing murder whenever they believe that they have been ill treated.

Some of these settlements are at war with each other and are irreconcilable enemies.

They cultivate the sweet potato, plantains, rice, and tubers for their own subsistence, and hemp for the purpose of trade. They believe in one God, after a fashion; are fanatical and very superstitious.

They are called bukídnón or hill people.

On the small island of Buracay, district of Buruanga, there is a small settlement of some thirty negritos. They are very peaceable and are engaged in the manufacture of barotos or bancas under the direction of native Christians.

POLITICAL CONDITIONS.

Peace reigns throughout the province. Though a few robberies have been committed, including a few cases of cattle stealing, they have been isolated incidents that do not deserve the suspicion of brigandage, as the latter, in the true meaning of the word, does not exist in the province in any form.

The officials of the government are harmonious in their relations to one another, each being anxious to discharge his duties without invading the authority of the others.

In former years there was a great deal of comment with respect to the illicit trade in carabaos in the municipality of Tapas, but since the establishment of a constabulary garrison at the said municipality there has been no cause for complaint on this score. At the present time there is some talk of robberies committed in the pueblos of Iloilo bordering on the eastern part of this province, and it is for this reason that I have persistently requested Colonel Taylor to provide for the establishment of constabulary barracks in the barrio of Gula, of the municipality of Pontevedra, in order that stolen carabaos may not be introduced into this province through that place.

The municipal police, pursuant to an arrangement agreed upon between Captain Castles and myself, with the approval of Colonel Taylor, are sufficiently well armed to carry on their duties, and a plan is being matured to have all of the municipal police in the province governed by one set of regulations and to wear the same uniforms and carry the same arms.

The municipal elections were carried through in the 22 municipalities of the province on the 5th day of December, 1905, in the most orderly manner. No disturbances occurred at any place where they were held, owing to the good sense of the opposing political parties taking part in the electoral struggle and to the fact that the voters have now been sufficiently imbued with the democratic spirit pervading our legislation. Fifteen protests were filed against the result of the elections held in the municipalities of Panay, Pilar, Panitan, Dumarao, Dumalag, Sigma, Mambusao, Jamindan, Yulsan, New Washington, Callvo, Malinao, Libacao, Taft, and Navas, though the protests from Malinao and Pilar were subsequently withdrawn.

All of the elections were confirmed with the exception of those of Callvo, which were twice annulled. A protest was filed against the result of the third election, but the provincial board decided to confirm it this time, with the result that Señor Cirilo Laserna was thrice elected municipal president.

The election at New Washington, the result of which was declared favorable to candidate Señor Blas Feliciana by the electoral board, was protested by candidate Señor Florencio Melocoton. In consequence thereof the provincial board, after looking into the matter and examining the ballots, declared the latter to have been elected without the necessity of a new election.

The provincial elections were held on February 5, 1906, midst the greatest good order, and were confirmed by the governor-general.

In spite of the fact that the province contains some Protestant ministers, one Aglipayan priest, and many curates of the Roman Church, up to the present time there has been no friction between them to deplore.

During the fiscal year 85 criminal causes were started in the court of first instance; of this number 31 were dismissed, 20 were disposed of, and 34 are still pending decision.

The rumor of the sale of the Philippine Islands to Japan, published by certain newspapers in the city of Manila, produced alarm and indignation among the peaceable inhabitants of this province, who prevailed upon me to address a petition to the Commission with the request that it be forwarded to the United States, containing the protest of the province against such a proposition. The reply of the governor-general calmed the somewhat excited minds of the people and restored their confidence in the good purposes of the United States of America toward the Philippine Islands.

HEALTH.

The sanitary conditions of this province during the fiscal year ending June 30, 1906, were in general very satisfactory. The inhabitants have come to understand the importance of cleanliness and sanitation, and a great difference is noted in the birth rate during the fiscal year as compared with the death rate and in its improvement over former years.

The total number of births in the municipalities of this province, except three that have not yet sent in their reports for the month of May and sixteen that have not sent in theirs for the month of June, amounts to 7,515, being an average of 33.56 per thousand. The number of deaths was less than during former years, notwithstanding the ravages caused in the province by malaria, pulmonary tuberculosis, beriberi, dysentery, and diarrhea, as it amounts to only 3,361, which is an average of 16.25 per thousand.

Thanks to the vaccinations made by the sanitary officials, who in a measure have been able to overcome the repugnance of the people, smallpox did not cause as many deaths during the fiscal year as in 1901-2, when that disease and malaria became epidemic and ran the death rate to as high as 50 a day.

The above is all that I have the honor to report for your learned consideration.

Respectfully submitted.

ANTONIO HABANA,
Governor of the Province of Cavite.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF CAVITE.

OFFICE OF THE GOVERNOR, PROVINCE OF CAVITE,
Cavite, P. I., July 31, 1906.

SIR: In accordance with the provisions of act No. 1044, civil commission, I have the honor to submit the following report for the fiscal year ending June 30, 1906.

AGRICULTURE.

The northern part of Cavite Province is mostly given over to the cultivation of rice. Because of measures of reconcentration during the months of May, June, and July of last year, and the lack of animals, the rice crop was scant.

In some towns where the measures of reconcentration were not rigorous, although the lands were sowed at the proper time, lack of rain during the months of October and November caused the rice crop to fall 30 to 40 per cent short of what was expected.

The central part of the province is adapted to the raising of sugar. In Spanish times this was an industry of importance. Since 1896, because of war, lack of animals, and depression in the price, most of the sugar mills of Cavite have been idle, or nearly so.

Favorable tariff concessions on the part of the United States would revive this industry here.

The agricultural hope of the province of Cavite is its abacá, to the growing of which the southern part of the province is adapted.

There was 50 per cent more grown here during this year than during the preceding year, the farmers in the southern part being influenced by the fact that Cavite hemp commands the highest price of any produced in the islands.

With the coming of the railroads, should a branch be extended to Indang, a great hemp country would be opened up. The yield would be enormously increased by a successful hemp machine.

Coffee and cocoa were formerly profitably raised where hemp now grows. The coffee crop failed several successive years because of blight, and it is doubtful if the industry will be revived while hemp can be more profitably raised.

COMMERCE.

There are no great commercial houses in the province. Small merchants sell European, American, and Chinese supplies brought from Manila, and, for the most part, buyers from the commercial houses in Manila deal directly with the agriculturists for their produce.

ECONOMIC AND POLITICAL CONDITIONS.

The people of Cavite province since 1896 have suffered most severely.

The last revolution, loss of draft animals, locusts, cholera, rigorous, but necessary, measures taken by the government to stamp out bandolerismo, impeding the people in the cultivation of their fields, and fear on the part of the people to work the lands in the outlying districts because of ladrones, have all helped to reduce the people to a deplorable state. These conditions have made it easy for some of the chiefs of the last revolution and other leaders to convince the people that the American administration of affairs is the cause of their ills and that independence is the panacea that will cure all.

This province is for independence. All of its people want independence. Its leaders have initiated two revolutions. Its inhabitants are proud of this

fact. Independence has two meanings here. To the chiefs or principals it means unrestrained power over their fellow-citizens. That they will be independent to make the *tan* independent. Independence is desired by the rest of the people because they have been convinced that in it lies the remedy for all their present ills. This sentiment for independence is what has enabled the ladrone chiefs to recruit their bands and to retain the support of the people.

Many of the inhabitants have a clear conception of the rights and powers which self-government would confer. Few, if any, seem to think of, or to sense, the responsibility. The vital question to the leaders seems to be not "How could we administer and finance the affairs of state," but rather, "How would this affect me, or us," thinking locally and not nationally. No greater or more terrible injury could be inflicted by America upon this people than by loosening its hand upon the reins of government too soon. The entire world is watching with interest the outcome of the United States colonial policy. When we confer self-government upon these people they must be able to bear the burden and move on and up, else our colonial policy will have failed.

A study of the municipal code shows that the Filipinos capacity for government was overestimated at the start. When the code was promulgated, it conferred the greatest autonomy upon the municipalities. A study of the amendments shows that the government has been forced to cut down and limit that autonomy in order to get back to a working basis. The one lesson to be learned from these experiences is that along these lines, haste can be made but slowly.

INDUSTRY.

At the port of Cavite there are two Varaderos, one at Cañacao and the other at San Roque, where from 500 to 700 laborers are employed.

The naval station at Cavite employs more than 3,000 workmen. Navy-yard employees receive pay ranging from ₱0.50 for apprentices to ₱5.50 for skilled workmen.

The gathering of salt in the towns of Cavite, Viejo, Noveleta, and Bacoar, during the months of February, March, April, and May of each year is an important industry. Fifty thousand cavans and upward are gathered during that period.

Fishing, by means of corrals, nets, and lines is another industry followed by many residents of the coast towns. Fish so caught are not only disposed of at Manila and Cavite markets, but carried through to the inland towns and barrios and readily sold.

Agriculture, the principal industry, has already been commented on.

MANUFACTURES.

There are no factories of importance in the province.

The women of the various towns weave sinamay with fine textiles of abacá through an apparatus called "tilar," made of wood and bamboo by the natives.

NATURAL RESOURCES.

There is a good deal of timber land in the mountains of Maragondon, Ternate, and near Dasmarinas.

There is a good quality of building stone found along the banks of the Maragondon River, equal to, and perhaps harder, than the stones of Meycauayan, Bulacan Province; or of Guadalupe, Rizal Province.

There are undeveloped chalk mines in the mountains of Magallanes. Gold is reported to have been discovered on the property of one Marcelino Aure, ex-presidente of Mendez Nuñez.

NONCHRISTIAN OR PAGAN TRIBES.

Thirty years ago there were some families of mountaineers called "Banluga" living in the mountains of Maragondon. They are said to have been converted by one Filipino priest, Padre Manuel Gimenez. They were baptized and now live at a sitio called "Caltaco," formerly called "Buntis."

Since the conversion of these mountaineers to Christianity there are no pagan or non-Christian tribes left in the province.

PUBLIC HEALTH AND SANITATION.

From July, 1905, to April, 1906, inclusive, 6,521 deaths were recorded, including 1 American, 2 Englishmen, 2 Japanese, and 3 Chinamen. Of the total number, 194 were transient and 6,327 were residents of the province. Main causes of death were diarrhea and enteritis in children, malarial fever, convulsions in children, and cholera.

During the reconcentration practiced during the past year the provincial and municipal health officers successfully cooperated in maintaining the reconcentration camps in a healthful and sanitary condition.

There were 948 cases of cholera and 777 deaths.

There were 111 cases and 70 deaths from smallpox recorded, in spite of the fact that 26,177 persons were vaccinated.

There were 2 cases of bubonic plague in Nalc during July and August, 1905.

There are in the province 66 lepers, 42 males and 24 females, and 58 insane persons, 31 males and 27 females.

Animals also suffered from the disease during the year. Twenty-five carabaos died of rinderpest, 19 cattle from foot-and-mouth disease, and 609 horses from various diseases, 11 of them from surra.

FINANCES.

The two greatest sources of provincial revenue are cedula and act No. 1455. As to the internal-revenue refund, the portion due the province since December, 1905, has been withheld by the insular auditor to pay the claims of the various bureaus of the insular government. In this way we have paid all the claims of the printing bureau and the bureau of supply, and of the claim of the bureau of prisons we have paid ₱1,627.40. If the practice of deducting all the internal-revenue refund is continued after January 1, 1907, the only revenue which will be received will be from the cedula taxes, until the land tax is paid in July and August, 1907. It will thus require great economy to meet the current expenses of the province during the first six months of 1907. It will be impossible to do any extensive road work during the first six months of next year, as no revenue will be available until the land tax is paid.

Since the purchase by the insular government of the friar lands, the revenues in the towns of Imus, Nalc, Noveleta, and San Francisco de Malabon have been greatly reduced. Not only have these four municipal treasuries suffered from the loss of the land tax, but the province has also been seriously affected.

The outstanding indebtedness of the province on June 30, 1906, was approximately as follows:

	General fund.	Road and bridge fund.	
Loans by the insular government.....	₱5,000	₱25,000	Pts. 50,000
Fees, clerk of the court (about).....	20,000	.....	.....
Bilibid prison	16,750	.....	.....
Total	41,750	25,000	50,000

The amounts due the clerk of the court and the bureau of prisons are approximate, because no statements have been received covering part of the time.^a

LADRONISM IN THE PROVINCE.

The last year has seen a betterment of ladrone conditions. The leaders of importance who menaced Cavite were Cornello Felizardo, Julián Montalán, and Lucio de Vega. Felizardo has been killed by, and Montalán and De Vega have surrendered to, the constabulary. I regret to report that the doing away with these leaders was not due to a healthful attitude of the Caviteños against ladronism, but was due to outside influence.

^a Internal revenue and financial statements of the province of Cavite for the fiscal year ended June 30, 1906, are on file in the War Department.

Felizardo, after his supposed death, lived quietly in Cavite Province, not many miles from my house, for six months. His presence there was known of necessity to many people, yet during that time not one Caviteño exhibited loyalty enough to the constituted government to come and whisper to me that he was alive.

Colonel Bandholtz, of the constabulary, assisted by his organization, Governor Dancel, of Rizal, and other outside people, compassed Felizardo's death. Colonel Bandholtz, Dr. Dominador Gómez, of Manila, and other surrendered ladrone chiefs effected the surrender of Montalán and De Vega.

The band of De Vega and Montalán, consisting of about forty men and thirty guns, has not as yet been surrendered or captured.

Until they are in, the nucleus to build up about is still there, and they constitute a menace to peace and agricultural prosperity.

Many of the municipal presidents and councilmen, however, did render valuable assistance in giving me such reports as enabled me, with the assistance of the constabulary of Cavite, whose work has been excellent, to prevent any overt acts being committed by the ladrones. But one complaint of abuses by the constabulary organization was received by me, and that, upon careful investigation, proved to be captious and trivial.

A religious organization known as Kolorum has gained a strong foothold about Bacoar and Cavite Viejo. I view the rapid augmentation of this fanatical order with distrust, and have taken steps to have its doings carefully checked and watched.

With these leaders of prestige in, ladrone conditions are better than they have been for years, and yet the province should be most carefully watched. I am convinced that ladrone leaders do not produce conditions, but that the conditions and attitude of the public produce ladrones.

Division of Cavite.

ANNUAL REPORT FOR SCHOOL YEAR 1905-6.

(E. R. Hay, acting division superintendent.)

There are dark pages in the history of every institution. The records of the schools of Cavite during the past year must surely be considered as one of the dark pages in the history of the schools of this province. The year opened with reconcentration prevailing throughout most of the province and a deficit in the school funds of one-half the towns, with little prospect of obtaining funds for months to come.

Upon consideration of these conditions, the director of education ordered the schools of the province closed. Through the efforts of Division Superintendent Campbell, however, this order was rescinded and the schools opened on a greatly reduced scale. Schools were conducted in many of the towns during a large part of the year by the free services of the native teachers, which speaks very highly for their devotion to their work and for the influence of the American teachers under whom they had worked so long.

Reconcentration was removed soon after the opening of the school year, but the financial stress was relieved only toward the end of the year, too late to start the schools on a large scale.

The typhoon of September 26 left but two school buildings of the province uninjured. Some of these were but slightly damaged, and, for the most part, have been repaired, but most of the remainder were so completely wrecked that reconstruction was impossible. But few of this latter class had been replaced by the opening of the new school year, although several were in process of construction. However, this has been partly remedied by the completion of 12 barrio schools and 3 central school buildings since the opening of the school year.

In contrast with the past school year, the present one bids fair to be prosperous. The revoking of the order of reconcentration has had a marked effect upon the attendance. The change in conditions in this province may be seen

when present statistics are compared with those of June 30, 1905, and those of November, 1904, before reconcentration :

	November, 1904.	June 30, 1905.	June 30, 1906.
Number of pupils enrolled	14,304	8,630	5,203
Average attendance.....	9,803	2,683	3,934
Number of municipal teachers.....	192	22	87
Number of American and insular Filipino teachers.....	30	26	24

The following statistics of attendance and the work in which the teachers are engaged may be of interest :

Number of pupils enrolled :

Males.....	3,344
Females	1,859
Total	5,203

Average attendance for same period :

Males.....	2,540
Females	1,394
Total	3,934

Number of pupils attending primary, intermediate, and high schools :

Primary	4,847
Intermediate	304
High school.....	52
Total	5,203

Number of municipal, American, and insular Filipino teachers :

Municipal teachers	86
American teachers.....	13
Insular Filipino teachers.....	11
Total	110

Number of American teachers doing primary, intermediate, and high school work :

Primary	0
Intermediate and high school.....	7
Supervising	6
Total	13

Number of insular Filipino teachers doing primary, intermediate, and high-school work :

Primary	7
Intermediate and high school.....	4
Total	11

All municipal teachers do primary work.

Total teachers doing primary, intermediate, secondary, and supervising work :

Primary	93
Intermediate and secondary	11
Supervising	6
Total	110

When the schoolhouses now under repair and construction are completed, this province will be fairly well supplied with schools.

The following barrios that have had schools in the past are at present without schools, the reason being on account of lack of schoolhouses or teachers:

Municipality.	Barrio.	Popula- tion.	Municipality.	Barrio.	Popula- tion.
Alfonso.....	Caititinga	1,319	Silang	Malabac	375
Do.....	Ballen	1,442	Do.....	Talon	242
Do.....	Palocpoc	520	Do.....	Pulong Saguing.....	.....
Indang	Caytambog.....	965	Malabon.....	Santol	483
Do.....	Guyam	734	Do.....	Sanja Mayor.....	793
Do.....	Dayne	589	Do.....	Calibuyo.....	1,184
Maragondon	Bucal	1,485	Noveleta	Putol	593
Do.....	Pinagsanhan	1,062	Do.....	Binacayan.....	1,123
Do.....	Caputatan.....	681	Do.....	Bagbag	433
Do.....	Tulay	802	Do.....	Silangan.....	.....
Naic.....	Bancaan	768	Do.....	Calunuran.....	886
Do.....	San Juan.....	305	Do.....	Ua-ua.....	809
Do.....	San Roque	1,303	Do.....	Muzon.....	731
Silang	Puting Cahoy .....	.....	Carmona	Cabilang Baybay....	309
Do.....	Lalaan	445			

The province has been divided into supervising districts. The following statistics fully explain this division.

Supervising districts (not including Cavite high school).

Pueblos comprising dis- tricts.	Square miles.	Popula- tion.	Barrios.	Schools.	Ameri- can teach- ers.	Enroll- ment.	School popula- tion, age 6-16.	Children that should be in school.
Cavite (Cavite, San Roque, Caridad).....	8	15,570	14	5	1	706	3,114	1,038
Corregidor (San Jose).....	2	703	1	1	0	56	141	47
Imus (Imus, Bacoar, Das- marinas).....	90	27,015	36	12	1	1,129	5,403	1,801
Indang (Indang, Alfonso, Ballen, M. Nuñez).....	100	23,916	33	4	1	920	4,800	1,600
Maragondon (Maragondon, Magallanes)	100	10,704	13	3	0	302	2,141	713
Naic (Naic, Ternate)	30	11,695	16	3	1	307	2,339	779
Rosario (Rosario, Noveleta, Cavite-Viejo)	20	15,143	23	5	2	477	3,028	1,009
S. F. de Malabon (Malabon, Santa Cruz).....	60	18,474	18	6	0	622	3,695	1,231
Silang (Silang, Amadeo, Carmona).....	100	12,006	37	5	1	466	2,401	801
Total.....	510	135,226	191	44	7	4,985	25,062	9,019

Finances are in good condition with the exception of the prospects for the towns of Noveleta, Imus, Malabon, and Naic. The sale of the friar estates to the insular government has deprived these towns of the land tax. The insular government last year appropriated ₱13,877.68 to meet the deficiency in the towns of Noveleta, Imus, and Malabon, otherwise these towns would have had no schools. The town of Naic did not receive any of the above amount because the friar lands in that vicinity were sold at a later date. With the exception of a small internal-revenue refund, there will be no school funds for these towns next year, unless the insular government again comes to our assistance. The size and importance of these towns and value of education to the people make it important that something be done by the insular government for the schools in these towns.

The following is the financial statement for the past fiscal year: ^a

INTERMEDIATE SCHOOLS.

There are at present five intermediate schools strictly up to grade. One of these is in connection with the provincial high school at Cavite, one is at Imus, one at Indang, one at Naic, and one at Rosario. There are at present 304 pupils in the intermediate grades.

^a This statement is on file in the War Department.

The intermediate and agricultural school building at Indang was completed in December, 1905. The building is well constructed, and is an honor to the province.

PROVINCIAL SCHOOL.

The provincial school is situated on Calle Telégrafo, in the town of Cavite. It has a corps of five American teachers and one Filipino teacher, besides the principal. The work of the school has been very satisfactory. Pupils have made excellent progress along all lines of their work. One more American teacher is badly needed. The music, the freehand drawing, the domestic science, and three classes in reading are unprovided for. It is hoped this teacher may be furnished at an early date, so that all the work may be started.

There is a class of eight pupils doing full third-year high school work. This class is further strengthened by the entrance of five municipal teachers for a part of the work. Only one other school in the islands has third-year high school work.

All other classes contain from 20 to 44 pupils. For the manual-training work all of the classes have to be divided. This is made necessary by the limited number of outfits. Under these circumstances it has seemed best to limit this as required work to Grades V and VI. The boys are greatly interested in this work, and, besides their regular exercises, they have done considerable work in making equipment.

Total number enrolled June 30, 1906, 218, as follows:

Intermediate—	
Boys -----	121
Girls -----	45
High school—	
Boys -----	42
Girls -----	10

This is a gain of 14 in the high school and 18 in the intermediate school over the report for March at the close of the last school year. Considering the new intermediate schools organized in the province this is considered as a very good showing. All pupils were classified this year on certificates issued at the close of last year, except such as took the authorized examination conducted June 11 and 12, 1906.

Most of the students who attended last year have reentered this term; where they have not done so they have been accounted for as employed, attending school nearer home, married, etc. Of the six government students appointed on examination to attend school in the United States, one was a student of this school last year. Ten have been appointed teachers of municipal schools. Several who began manual training here last year have entered the Philippine School of Arts and Trades in Manila.

The school has been greatly aided by the liberal financial and moral support of the provincial board. Manual-training supplies, a gong, and repairs on the building have been the principal items in the expenditures of provincial appropriations.

The school building is large, and, although old and needing repairs, is well suited to the needs of the school. It would be well to have a room fitted up for laboratory purposes during the year. It is understood the bureau of education will provide the school within the year with some important apparatus.

NIGHT SCHOOLS.

At present there are no night schools in the province. The great number of inquiries indicate a strong desire for the reestablishment of the night school. A large number of men are employed in the navy-yard. The work is hampered because of the slight knowledge of Spanish by the American foremen and by the utter lack of knowledge of English by the Filipino workmen. Some of the foremen learn some Spanish in private classes, but the Filipino makes little or no effort to learn English. If English is to be the official language, the night school is the only place the adult Filipino can learn the language.

CONCLUSION.

As a whole, Cavite Province is loyal to the schools. The Filipino teachers are much better prepared for their work than formerly, many having attended intermediate or high school classes during the past year when they were not

teaching. Most of the teachers of the province have attended either the normal institute held at Manila or the provincial normal held at Cavite in April.

With the financial question settled, and with the strong support of the provincial board, we shall look forward to excellent results in the schools.

Extract from F. D. Shiras's report on irrigation system.

PROVINCE OF CAVITE, *February 28, 1906.*

Preliminary operations were commenced by cutting out and clearing the old Quintana-Indang road for a distance of 5 miles from Indang to the line of tunnels, and likewise cutting a road along the line of tunnels from the Rio Cañas to Rio Bancud, in order to locate as near as possible the trace of the tunnels above ground. This work showed that the system pursued by the Spanish engineers was to ventilate the tunnels at intervals of three or four hundred feet by air shafts, many of which were in ruinous shape and a few caved in entirely.

Buildings of "cogon" were erected near the Rio Cañas for office, quarters, etc., and work on tunnels commenced on the 17th instant.

The head of the system is at the Rio Bancud, where tunnel No. 1 leads from the Bancud dam, which is a cement and stone structure 50 feet high and in excellent repair. This tunnel is three-fourths of a mile long, and, though badly silted and choked, is in fair shape and needs but little repair work. It has been cleaned out by flushing with a powerful current of water, after gravel banks and chokes have been loosened by pick and shovel. Tunnel No. 1 emerges from the hills at the Rio Alulud and crosses above the stream through an aqueduct consisting of 326 iron pipes. This aqueduct is 30 feet high.

Great distress was experienced by the laborers in tunnel No. 1 on account of the cold, the temperature being much below that of the remaining tunnels. One distinguishing feature of this tunnel is that it has but one air shaft that has been left open, which probably accounts for the low temperature, as the current is very rapid and creates a current of air. The other shafts were closed, I am informed by natives, to prevent cattle falling into the tunnel. Formerly this was used as grazing land, though now overgrown with cane and brush.

Tunnel No. 2, commencing at the Aqueducto de Tubos, is $1\frac{1}{2}$ miles long and has suffered by earthquakes and the action of water. Cave-ins were frequent and in places it was necessary to tunnel through masses of mud and dirt for hundreds of feet. The work in this tunnel was very dangerous, as masses were constantly falling from overhead, and in drifting through caved-in air shafts the miners frequently had from 80 to 100 feet of loose dirt hanging above their heads. Timbering was resorted to in these cases. Foul air was encountered in No. 2, and it was frequently necessary to repair to the nearest air shaft, as the carbonic-acid gas caused by respiration of the miners and consumption of oxygen by the lamps rendered work impossible until said gas could be removed by one or two men fanning in pure air with hats. Two men were crowded to work abreast, and as no current of air could be established the work was necessarily delayed. No damp occurs in this formation. This tunnel, as well as all the others save No. 5, averages 100 feet below the surface. Tunnel No. 5 is very close to the surface in places, and has caved in, so that the floor of the tunnel can be seen from the surface.

Tunnel No. 2 emerges at the Rio Cañas where the canyon is 125 feet in depth, with perpendicular walls. It crosses 90 feet above the river, on a stone aqueduct supported by a single arch of masonry, the length of aqueduct being about 95 feet. It was found necessary to descend here by means of bamboo ladders from top of cliff to aqueduct, these ladders being secured by ropes to trees growing on the brink. Tunnel No. 3 was found to be silted up, but without cave-ins, hence was easily cleared by forcing a current against the chokes and puddling with shovels until an opening was made for the passage of the water. This tunnel is a little over one-half mile long and emerges at the Rio Pulonan, which it crosses on an aqueduct of stone 40 feet high. This aqueduct has an iron gate by means of which the water may be diverted to the river below, but with the gate down the aqueduct has no capacity to pass the amount of water now coming through, so I found it necessary to raise the sides. Tunnel No. 4 was very foul, and in bad shape, resembling

No. 2 in sunken air shafts, caves, etc. Work at times in both these tunnels had to be conducted in mud and water shoulder deep, and not more than 6 inches head room, so the workmen were at a great disadvantage. Tunnel No. 4 is the longest tunnel of the system, and is $1\frac{1}{2}$ miles in length. It has been racked by earthquakes, and arches will have to be placed to insure safety. This tunnel empties into the Rio Panlucayan 10 feet above level of river.

There is a stone dam 200 yards below mouth of tunnel No. 4, about 30 feet in height and in good repair. The water passes this dam, and, after flowing down the Rio Panlucayan for a mile, encounters the Palault dam, which is a fine structure of stone and cement 90 feet high and in good condition. This dam turns the stream into tunnel No. 5, which is in very bad shape. Part of this tunnel was built by digging a trench and arching it over; hence it is very close to the surface, and much of it had fallen in, and had to be removed to the surface. The tunnel is one-half mile long, and empties into a small creek which finds its way by means of an emplacement of stone and ditch into the Rio Matangilan, which passes through Buena Vista. Just above Buena Vista is the Boluc dam, which turns the current into the main ditch for distribution in the rice paddies.

The system of ditches is spread so as to cover all arable lands from the hacienda of Imus to Rosario on the coast of Manila Bay, and a description of them would be wearisome. Various small dams occur for the purpose of storing water, etc., and my force is now engaged in repairing them, as most of them need attention.

The primary object of our work was to get the water to the people as soon as possible, so as to enable them to save their crops; so every energy has been bent to that end. I am glad to inform your excellency that at the present time I am sending down 27 cubic feet a second, which, as water works night and day, must prove a blessing to the tao.

Labor has been a stumbling block, and it was only with the greatest efforts that I have been able to get sufficient men. At the tunnels, the fear of going under ground and superstition had to be overcome, and then the work being so difficult and dangerous had naturally a deterrent effect. I am glad to say I have lost no lives; but it required great care not to, and we had some very narrow escapes. The natives, I found, could not stand a full day under ground, and I had to work them in half-day shifts; as it was, we all had to use quinine liberally to stave off malarial fever.

The rivers on this watershed all flow into Manila Bay, and the upper courses are very steep, so that, during the course of time, they have buried themselves in canyons and are very rapid.

I find the formation to be what I think is volcanic ash or tufa. It is very uniform in texture, without strata or cleavage; and I believe would interest geologists if they had the chance to see it in the tunnels, as they could get vertical views as well as horizontal.

Within the next month we hope to have the ditches repaired to the coast, so that water will not be as scarce a commodity as in the past.

MUNICIPAL POLICE.

The present organization is neither satisfactory nor efficient.

The police are uninstructed in their duties.

They are used by the several presidentes in other capacities than as police, and many of them have never been taught to shoot a gun or revolver.

Few are qualified physically for the positions they hold.

There is no uniform method of selection or discharge.

There is too much danger under the present loose organization of loss of guns and ammunition entrusted to municipal police.

I would respectfully suggest that the municipal police be reorganized along the following lines:

1. That the next appropriation bill provide for 39 additional constabulary officers with the rank of first lieutenant—one available in each province for detail as chief of the municipal police of the province, each constabulary officer so serving to receive a per diem of ₱2 per day and expenses while traveling in the province, from provincial funds.

2. Such chief of the municipal police to be detailed by the senior inspector of the province at the request of the provincial governor and relieved or changed at the request of that official.

3. Each municipality to furnish not less than two and not more than four police monthly for duty under the chief at the provincial capital, same to be instructed in the duties of policeman, target practice, and to act as guards at the provincial jails during their tour of duty at the capital.

4. Traveling expenses of policemen going to and from the provincial capital to be borne by the province.

5. The police to be paid from municipal funds, but to be subsisted and quartered during tour of duty at the capital by the province.

6. A limited supply of ammunition to be furnished by the insular government through the chief of constabulary for target practice of municipal police.

The plan, as outlined above, will unite at the provincial capital twenty or thirty police under the direct command and supervision of a competent American officer where they can be drilled, disciplined, and instructed. This system will relieve the constabulary proper in some provinces from guarding the provincial jails, and, in others, will relieve the province from the great expense of maintaining provincial jail guards.

It is true that this plan places a portion of the burden of expense on the insular government, but, on the other hand, it leaves the well-paid and well-instructed insular police force free to perform their regular duties, and, at the same time, furnishes an efficient guard for provincial jails. If poorly guarded, the insular government must go to the great expense of capturing some criminals more than once.

7. Appointments to the police force should be made by the chief of police on the recommendations of municipal councils and approved by the provincial governor.

8. Medical examination of candidates to be made by municipal doctors.

9. Discharges to be made by the chief of police, with the approval of the provincial governor.

10. Police to be subject to transfer from one municipality to another as the exigencies of the service demand, such transfers to be made at the direction of the provincial governor.

11. Uniforms of municipal police to be carried in stock by supply officers of constabulary and sold to municipalities; to be uniform throughout the islands, with the distinguishing mark of province and municipality thereon.

12. It is suggested that the same uniform as worn by the constabulary, piped and trimmed with blue instead of red, would be a simple solution.

INSULAR POLICE.

To make the insular police force the efficient body desired, it is necessary to know not only what each officer of constabulary has accomplished but what he has failed to accomplish. While it is important that the records show us just how many guns have been captured, stolen animals recovered, bandits and thieves convicted and confined, it is of far more importance to know how many guns are still out, how many stolen animals failed to be returned to their rightful owners, and how many men whose arrest might have been authorized have remained unarrested and at large.

At the visit of an inspector-general at the office of a provincial senior inspector he should be able to turn to the record of a lieutenant 20 miles away and see just how many, out of the last 20 cases put up to him for solution, have been solved and just how many times he has failed. It is suggested that a record book in proper form be furnished to the office of each provincial senior inspector; that the record of each constabulary line officer in the province be therein kept, crediting him with his reports of every violation of law that comes within the jurisdiction of the insular police, charging him with the cases intrusted to him for solution, and showing success or failure in each case. That on semiannual visits of inspectors-general these records be carefully inspected and the men with a clean record of failures be reported for discharge.

If the constabulary is to be raised to the high plane to which it can be and will be, not only must the official personnel be rid of men who are bad material, but it must drop out the inefficient. It must be a case of the survival of the fittest, where a shoulder strap with more than one bar will stand not only for personal integrity, but will mark a man as particularly fitted for the exacting and difficult work of the organization.

It is further suggested that the advisability of making the senior inspector of constabulary in each province the third member of the provincial board, instead

of the division superintendent of schools, is worthy of consideration. Such an arrangement would demonstrate to each senior inspector the relationship he should bear to the civil head of the province. It would make provincial governors and senior inspectors mutually dependent on the other for support. It would establish a closer relationship between the secretary of police and provincial governors and establish the cooperation of these officials, which is necessary.

The needs of the schools of the province will be brought before the provincial boards in a way they can not be ignored, whether the division superintendent of schools is a member of the board or not. There are many influential natives in every province who stand back of the school movement, and their interest in their own children will urge them to keep the needs of the schools before the provincial government.

The need of the support of the insular police in their work by provincial and municipal officials is a harder matter. It is believed that a closer relationship between provincial governors and senior inspectors would effect this. The strongest argument against this change is that the senior inspector would have duties that would hold him at the capital when his presence was needed in the province. On the other hand the presence of a man on the board who is continually making tours into the interior and is in touch with the people and their needs would more than compensate. An official who cared to could perform both duties.

I also strongly urge and recommend that the provincial senior inspector be made, by virtue of his office, provincial sheriff, and that the present system be done away with.

COCKPITS.

I am in sympathy with the Moral Progress League in its efforts to limit cock-fighting. To incite the people to do away with it entirely in a moment of enthusiasm does not, however, constitute a healthful moral growth.

I recommend that the cockpits in each municipio be limited to one. That the cockpit privilege be sold yearly by the municipio to the highest bidder. That the pits be authorized to run on legal holidays, three days in celebration of the patron saint day, and on Sundays, but that the hours on all of these occasions be limited to from 1 to 5 p. m.

I further recommend that the status of the game panguingue be defined by law, and that its playing be authorized outside of working hours.

I am unalterably opposed to the fostering and encouraging of the gambling spirit. It eats into the very hearts and homes of our people. On the other hand, the masses should not be made sullen and discontented. The evil should be limited by wise legislation. I believe the carrying out of the above recommendations will give us a healthful, happy, contented people, more susceptible to development, more in touch and sympathy with us, more willing to be guided and directed along other lines. When the will of the people is finally back of the movement the cockpit can and will be entirely closed.

Very respectfully,

LOUIS J. VAN SCHAICK,
Governor Cavite Province.

To the EXECUTIVE SECRETARY,
Manila, P. I.

REPORT OF THE GOVERNOR OF THE PROVINCE OF CEBU.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF CEBU,
Cebu, July 31, 1906.

SIR: In accordance with the provisions of the law, I respectfully submit the following report corresponding to the fiscal year 1905-6. It may perhaps prove to be somewhat lacking in its details, considering the importance of this province and the matter with which the report deals. It has been impossible to make it otherwise, on account of certain difficulties encountered in drafting it. I was not inaugurated governor of the province of Cebu until March 5, 1906, so that while, on the one hand, the most important events of the year took place from July to March—before my term of office began, and the official records of

the province, which are not in a very satisfactory condition, do not clearly show what those events were—on the other, there is no evidence of this office having received the reports from the municipalities, which should have been rendered last December. As if these difficulties were not in themselves sufficient, there is the further fact that the heads of many offices to which I have had to apply for information are either acting as such or have been but recently appointed. Moreover, the work of this office has been to a degree extraordinary during the past four months. I have thought it advisable to reorganize the different branches of the service and to make a general inspection thereof before starting work, and this has taken a good deal of time and labor. Among other things, the labor undertaken in behalf of public order—with which I will deal later—has required so much consideration that the last few weeks have been devoted almost exclusively to it, and this report is being written as rapidly as possible, in order that I may be enabled to leave the capital and go to those places where the presence of the provincial governor is now needed, and which I was obliged to leave temporarily in order to comply with this duty. If the haste with which this report is prepared results in inaccuracies, deficiencies, or omissions of some importance, an effort will be made to correct them in an additional report.

PROVINCIAL AND MUNICIPAL ADMINISTRATION.

Provincial board.—Since the passage of act 1401 abolishing the office of provincial supervisor, the province, which was governed up to October, 1905, by a provincial board, composed of a governor elected by the people and a treasurer and supervisor appointed by the Commission, has been placed under the administration of a board made up of the governor, the treasurer, and the division superintendent of schools. Though some of the duties formerly incumbent upon the provincial supervisors have been transferred to the provincial treasurer, the district engineer has practically replaced the supervisor in his technical duties. The district engineer for Cebu, who also has charge of the provinces of Occidental Negros and Bohol, resides in the capital of the first-named province.

The provincial board carries on its operations with regularity. Acting upon the recommendation of the governor, a system has been inaugurated for the inspection of the municipalities by which the other members of the board are also engaged in this work simultaneously with the provincial governor. In our last inspection we were joined by the other heads of provincial offices. The benefits derived from this method as regards increased rapidity in the disposition of business and accuracy of the information obtained have already resulted in general satisfaction that is patent to all. The same system is being followed in cases of investigations of complaints. It is true that it may sometimes happen, especially in the case of far distant municipalities, that the investigation can not be taken up immediately. On the other hand, the rapidity with which the investigation can be subsequently conducted is a gain of incalculable importance in avoiding annoyance and trouble to all persons concerned, including witnesses, who, in the majority of cases, are poor, and would otherwise be obliged to come all the way to the provincial capital. There have been cases where, in order to avoid this, there has been a failure to denounce abuses that become the source of unrest and intranquillity.

I hope that a fixed route of steamer travel to the different pueblos, which is now being decided upon, will greatly obviate many of the present causes of complaint. There will be no rest until immediate and direct action is possible in every case, for it is the opinion of the persons at the head of this provincial government that peace can be most firmly assured, more than by any other means, by the avoidance of abuses and their prompt punishment when unavoidable, and that the success of the provincial administration will not be complete until its influence is felt in the most remote municipality with the same constancy and uniformity as it is in the capital of the province.

Loans to municipalities.—In general it can with justification be said that provincial boards are giving such results that it can be deemed that the hour has arrived to enlarge the scope of their powers. It would be desirable for provincial boards—at least in Cebu—to have greater control of their own funds and that the power to grant loans to municipalities in cases of epidemics be extended to any other cases where the provincial board thought it advisable to exercise such power. This necessity has become manifest in the litigation

brought by the Catholic Church against certain municipalities of this province with regard to the ownership of public squares at present in possession of the municipalities. In some of these cases the rights of the municipalities to such squares in litigation have been considered well grounded, or at least apparently so, and where they were so unfortunate as not to have the money on hand to pay for the services of a private attorney, the provincial fiscal being prohibited by law from intervening in such matters, they have been unable to obtain the help of the province in the shape of a loan, the provincial board not being authorized to grant it. Other cases have arisen and may in future frequently arise similar to those involving litigation. For example, some municipalities have no municipal government buildings or schoolhouses of their own and are obliged to rent them, while if they could get a loan with which to buy the most expensive materials those of lesser cost and all of the labor for their construction would be furnished free of charge by the citizens of the town. The provincial board has received several applications for loans of this character, which have been laid on the table.

Organization of some offices.—The proper organization of an office being an indispensable condition to its satisfactory workings, the undersigned provincial governor devoted his time and attention to the study of the existing conditions, with regard to the organization of his office and that of the provincial secretary at the time of taking over the government. The provincial secretary, who has held that office ever since the organization of the provincial government, agreed with me that a change was absolutely necessary. I undertook to bring it about after visiting the record division of the executive bureau. As a result of the change the offices of the provincial governor and provincial secretary have been consolidated. The internal workings of the consolidated office are subject to the rules promulgated July 12, 1906, by executive order.

Notwithstanding full recognition of the fact that the card system of recording as carried on in the executive bureau is the most perfect, preference has been given to the method adopted here which, if it can be properly termed eclectic and is founded on the well-known economic plan of the division of labor, claims also to have taken something from each system. The existing plan was adopted with due regard for its adaptation to a limited number of employees and to their practical experience.

In time it is probable that a division will inevitably have to take exclusive charge of the records of this office. The correspondence kept up by this government is very extensive. Besides modern records (I so classify those of the present régime) we are obliged to preserve and classify the documents corresponding to the old *gobierno general de las Islas Visayas*, with headquarters at Cebu, to the *gobierno político militar de Cebu*, and to the *gobierno Filipino*, some of which are of considerable value.

Provincial jail.—The average number of prisoners during the fiscal year was 154,079, showing a decrease of 0.075 in comparison with the year before. Seventy-two prisoners were sent to Bilibid.

As to the efficiency of the present staff, composed of the warden and 27 provincial guards, including 1 sergeant and 3 corporals, conclusive evidence is found in the fact that, in spite of its limited numbers and its manifold duties in guarding the jail and provincial government buildings and the custody of prisoners assigned to public works, not a single prisoner has escaped during the year.

Prisoners have been used, among other purposes, for the repair of the jail and provincial government building. The discipline maintained has been excellent.

The work planned and started toward the middle of the year 1904 has progressed without intermission. This year the flooring of several cells has been taken up and replaced with cement, a kitchen has been built, the walls have been repaired and heightened, two sentinel boxes and a watch tower have been added, and the result of all this is that the health of the prisoners, which up to 1904 had been deplorable, has improved so much that sickness has been reduced to 0.005 and mortality to 0.0001.

When the reconstruction of the central part of the front of the building is finished and ready to be used by the guards and as an office for the warden, the provincial jail of Cebu will be one of the best penal institutions in the Philippines on account of its sanitary conditions and security as well as on account of its size and construction.

The management of the jail is carried on, subject to the orders issued from time to time by the provincial governor, and all orders issued up to the present

time are now being compiled with the necessary amendments and additions into one methodical and uniform code which will facilitate their enforcement.

It is suggested in connection with this branch of the provincial administration that in view of the security offered by the provincial jail of Cebu, prisoners condemned and who have appealed to the supreme court be allowed to remain in the said jail at the discretion of the provincial board even where the penalty imposed by the sentence appealed from, be more than two years' imprisonment; and that subject to the same discretion all sentences of not more than six years' imprisonment be served in the provincial jail of Cebu. Considerations of a moral and economic nature would advise these reforms.

Treasurer Schlotfeldt.—During the first fortnight of the present month Mr. Fred Schlotfeldt ceased to be provincial treasurer of Cebu. His services during a period of four years were so efficient and beneficent in their results for the provincial administration that I can not here refrain from making slight reference to this official, the oldest American official in the province. I am all the more justified in doing so as Mr. Schlotfeldt has left the Philippines and there is reason to believe that he will not return. The name of Treasurer Schlotfeldt is connected with every undertaking of importance carried through by the provincial government since its inception under American rule. I do not wish specially to refer to the work of Mr. Schlotfeldt as provincial treasurer, as to a certain extent I consider that a matter beyond my criticism inasmuch as the law conceives the provincial treasurer as the financial head of the province, but rather to his work as a political member of the provincial government. In the midst of this work Mr. Schlotfeldt, ever mindful of his duties as an appointive official, took the liveliest interest in the people's welfare.

Elections.—The elections for provincial governor were held on February 5, 1906. There were 404 electors out of a total of 499 who had a right to vote. Comparing these figures with those for 1904 we learn that two more electors were present in 1906 than in the year mentioned.

The election officers conducted the proceedings with singular ability and were impartial in the midst of the struggle kept up by the partisans of the two candidates, hence this election like the previous one was not protested. The election lasted until the afternoon and gave the following result: Sergio Osmeña 378 votes and Juan Clímaco 21 votes.

Three other candidates received 2, 1, and 1 votes, respectively. I having been one of the candidates, it would be unbecoming in me to refer to the interesting incidents of the election and the manner in which the result was received by the people, two things which the course of intelligent public opinion has revealed.

During the fiscal year municipal elections were likewise held. Of the 41 general elections held, the results of 25 were protested. Aside from the number unprotested, 16 of the protested elections were approved. Nine were annulled. Of the latter number three were again annulled after a second election.

The interest of political factions in the pueblos which are the source of agitation during elections is rapidly increasing, and I am of the opinion that the electoral law should not remain stationary in view of these changes. It is advisable to clarify the provisions of certain parts of the law and to diminish the scope of others. It is urgently necessary to penalize serious infractions of said law in order to avoid its perversion by vicious practices, which fortunately are not yet deep rooted but which may become naturalized here. This is just the time to avoid such a contingency. The chapter relative to qualification of voters ought not to be excepted from revision. For instance, that a cabeza de barangay or teniente de barrio of the Spanish régime should be entitled to vote and that this right should be denied to a like officer under the present sovereignty is now a complete anomaly, though it was not so at the time the law was enacted.

Municipal elections are wont to be a powerful incentive for all sorts of venganzas, giving rise to persecutions more or less well-founded, the motive of which is not a desire to see justice done, but rather revenge, and which would never have been brought under other circumstances. For this reason I think it would be well seriously to consider if it would not be advisable to provide by law that no criminal prosecution nor administrative action shall be acted upon when in the discretion of the provincial fiscal, to whom all such matters shall be submitted during the said period, the alleged facts which are the subject of the accusation correspond to a time and to circumstances that permitted their presentation at an earlier period.

During provincial elections councilors voting should be entitled to an allowance for maintenance during their journey to and stay at the provincial capital.

Resolutions with relation to transportation, though approved and sanctioned by the provincial board, should be prepared by a presidential convention, in order to avoid undue influence on the part of candidates or their agents, who are not overscrupulous, or of the officials of the government being exercised over electors.

Municipal administration.—The municipalities continue to be governed by a municipal council, composed of the president and councilors, whose number varies in accordance with the class of the municipality. Act No. 952, consolidating the municipalities of Cebu and reducing their number from 57 to 41, is still in force.

Municipal councils are constantly improving in their attention to their duties, and their sessions are held with regularity and are wont to be interesting.

The annotated municipal code prevents the commission of many errors formerly resulting from the confusion produced by the numerous amendments to the original code. A further step in the right direction, the practical utility of which can not be doubted, would be to have printed circulars sent out similar to those used by certain central bureaus with relation to their dependencies in the provinces, calling the attention of the municipalities to the amendments already adopted and as made in the future and to the manner in which the said amendments affect existing legislation. It would be useful to have the administrative provisions of the executive bureau and the opinions of the attorney-general directly bearing upon the provisions of the municipal code added to this amendatory legislation.

We are endeavoring to have this done here by sending out typewritten instructions, but this method, besides taking up time needed for other purposes of a more pressing character, does not bring as extensive and beneficial results as would be obtained from the distribution of circulars by the executive bureau to all of the municipalities in the Philippines and their redistribution by the latter among the people.

There has been an increase of efficiency among municipal employees. During the fiscal year the number of suspensions was only two presidents and one vice-president. One of the former has already been reinstated, while the cases of the two latter are still pending investigation. There have been no dismissals. There are charges pending investigation and trial, some of them on account of having been brought in the courts simultaneously with the filing of administrative charges. It has been thought advisable in certain cases to await judicial decision before taking administrative action.

In this connection I desire to invite your attention to the fact that a large proportion of complaints against officials are groundless, owing to the facility with which they can be brought, to the careful consideration which is always given to them, and to the fact that public sentiment in the province is strongly developed. All of this I find to be very good, as in the difficult work of maintaining an efficient service it is preferable that a surplus of complaints be presented than none at all. However, such a condition of affairs requires exceptionally prudent action upon the filing of charges, and does not allow of the situation being judged by the mass of complaints presented, but by that part of them which investigation shows to be reasonable.

The employees of the municipal treasuries, who belong to the provincial rather than to the municipal branch, also show improvement. During the fiscal year there was only one defaulter, as against four during the year immediately preceding.

As regards presidential conventions the only ones were held on July 15, 1905, and March 5, 1906, with a small attendance. I believe that this should not be so. In a government ruled by public opinion, as ours is, conventions of the character of those held by the municipal presidents can lend valuable aid to the administration. It would be advisable to have the law require attendance on the part of members of conventions under penalty of suspension from office. In order to make attendance less onerous the provincial board might be authorized, in its discretion, to fix the place for holding the convention at the provincial capital or some other town in the province and to convoke partial conventions in given cases.

The municipal officials are animated by the best purposes, and I hope that the direct and frequent supervision prudently exercised over them will increase the degree of their efficiency.

POLICE AND COMMUNICATIONS.

Public order.—Of the serious problems faced by the administration in Cebu when I took office five months ago none was of a more urgent character than that of public order. Unrest in this province had assumed the character of a chronic evil. The remedial measures which had been adopted were many in number—some of them of undoubted theoretical value and all of them had been put into practice by competent officials. The work of the constabulary during the fiscal year was exceptionally active and efficient within the limits of the plans previously traced out. As a consequence the formation of large groups of bandits was prevented, and being unable to carry on active organization they were constantly pursued and dislodged from all known places. In this sense the services of the senior inspector of constabulary of this province and of his subordinate officers have been of extraordinary value.

But such measures were not sufficient to exterminate brigandage, so that practically an abnormal condition of affairs continued to exist. It could not have been otherwise. The many captures made and the destruction of their homes and plantations in the mountains did not prevent the bandits from raiding the town of Minglanilla, only 8 miles from this city, and their burning, among other houses, the municipal building, nor the loss of the municipal funds, and the killing of 18 loyal residents of that town. On March 7—that is to say, only two days after my inauguration as governor—a detachment of scouts under the command of an American officer was attacked and suffered some casualties. The severity of the sufferings of the people occasioned by this state of things diminished very little during the first eleven months of the fiscal year and was only comparable to the extent of the hardship caused to everyone about four years ago. From everywhere came the cry demanding a solution of the matter. After mature study I came to the conclusion that the military plan of the constabulary was complete and that the only thing lacking was political action which would serve as an aid and as a means of furthering the plans of the military. In this work it was considered essential that the people should take part, as it was not a case of the government having to struggle against a hostile force regularly organized, but against individuals that chance had thrown together, who, after descending upon towns attracted by their defenselessness, evaded open fight with the armed forces of the government and sought refuge in the security of the forests and in the fear or disaffection of the barrios as soon as pursued. I concerted a plan with the constabulary involving active and popular cooperation on the part of all elements with the government, with the result that on the 22d instant the principal leaders of the outlaw bands and 48 of their followers surrendered unconditionally to the government. The nature of this plan is explained in my special report dated the 30th ultimo, and which is attached to this report as Exhibit B. Some features of the said report might be dealt with here again for their better explanation, but lack of time makes it imperative upon me to be as concise as possible in this report.

Other surrenders are expected in this city. In various municipalities the committees on public order organized by the provincial government among the prominent citizens are likewise receiving surrenders. The surrenders of the principal leaders referred to also included that of their rifles and other weapons. The majority of the rifles are Krags in good condition and are provided with ammunition. Official records of the past four years, and private information recently obtained, confirm the assertion that the rifles of all of the outlaw bands in Cebu are now in the hands of the government.

In spite of this important step the situation can not be considered as firmly established, as there are still some enemies of public order in the field. But when the boldest, best disciplined, organized, and armed men who for a period of ten years have been in open rebellion against law and order under three governments—Spanish, Filipino, and American—have voluntarily surrendered, there is reason to hope that the government will soon be able to bring under submission, voluntarily or otherwise, those who still remain out. Notwithstanding the fact that the bands still out are unarmed and disorganized, the campaign will not be terminated until the last man is placed within the reach of the law.

The surrender which took place in this province on the 22d of July was the most culminating fact recorded, within the past four years at least. Its importance is confirmed by the assurance that from now on the safety of the pueblos will be secure and that by this decisive step toward lasting peace the

rural population, constituting 80 per cent of the inhabitants of Cebu, will return to neglected fields which have been lying fallow, not because of a lack of carabaos and a want of industry, but because of the absence of personal security. It must be borne in mind that property in this province is greatly subdivided and that, though a dense population—the largest in the islands—does not permit talk about the problem of a scarcity of labor, which is here more than abundant, 50 per cent of the agricultural lands are situated in mountainous and remote places where work can not be carried on without the aid of the carabao.

The mutual cooperation of the responsible authorities and of those of the pueblos have left to one side volunteers and secret police whose doubtful services no attempt has been made to enlist. Nor has there been a large disbursement of funds requiring an appropriation from the government. Hence, the sum set aside by the general government to be placed at my disposal for rewards for the capture of the leaders who surrendered, and other expenses in connection therewith, may be entirely withdrawn, in so far as they relate to what has already been accomplished.

Municipal police.—The principal thing having been achieved in the restoration of order and tranquillity being in the way of being established to the desired extent, the next thing to be done is to make that tranquillity permanent. In order to do this a good municipal force is indispensable. The force raised by some municipalities for the campaign against brigandage and the regular organization will be extended as far as it is possible and advisable. Provision is being made to prescribe one uniform for the police of all of the pueblos and to subject them all to the same discipline and drill and provide them with adequate armament. The powers granted by the legislation enacted for the government and control of the municipal police will be exercised for some time and until tranquillity is firmly established and equal to the experience hoped to be gained by a police service that shall be both adequate and efficient.

The constabulary of Cebu, relieved of their onerous duties by the improvement in conditions brought about by an activity and energy worthy of recognition, will now be in a position to give their inestimable aid in the work of reorganizing the municipal police. That they will aid me I do not doubt, not only because of the cordial relations between this office and the constabulary officers in general, but because the regard for duty had by the chivalrous officer commanding the Cebu detachment and that of the officers under him is a guaranty that the policy of sincere cooperation between the provincial governor and the constabulary, so happily inaugurated, and which is the only possible policy to follow under the rules laid down with regard to the relations between the constabulary and provincial officials, will be most certainly continued in future.

The maintenance of order in the municipalities and other inhabited districts will be continued to the full extent permitted by circumstances and by leaving the matter entirely in the hands of the municipal police. An endeavor will be made to adopt a plan by which the constabulary will be concentrated in detachments in the interior, located at strategic points. The military detachments will be gradually withdrawn from their present stations. The first step has already been taken in this regard without prejudice to the service by the withdrawal of the stations at Naga and Sambulauan, formerly occupied by scouts. The next station to be abandoned will be Biga.

Communications.—Good communications are a positive aid to the maintenance of order. Those maintained by the postal service are excellent. Seldom was there such a good service as now as regards regularity and security. The mails are carried overland by contractors paid by the government. Mails leave twice a week for all points on the island of Bantayan. There are four fixed routes: Cebu to Oslob, Cebu to Daan Bantayan, Carcar to Samboan and Tuburan (via Barili), and from San Remigio to Bantayan. There are 29 post-offices established where mail can be registered. The central office established at Cebu is the only one authorized to issue money orders. The amount of business done by this office during the year 1906 was: Money orders sold, ₱144,492.96; money orders paid, ₱74,124.30; stamps sold, ₱23,094.04.

It is recommended that the service be maintained as at present with the addition of a post-office on one of the Camote islands; for example, Tudela, which could be made a part of the Cebu and Daan Bantayan route. At present there is no regular mail to the Camote municipalities, three in number, correspondence being received with great irregularity and a delay of three to four weeks.

Another service that is in a very satisfactory condition and that is specially indispensable for the maintenance of public order is the telephone service.

Lines now in operation extend as far south as Carcar and Barili and as far north as Danao, Tuburan, and Bogo via Tuburan. There are 22 instruments located at 19 stations. It is ardently desired that the lines be extended throughout the island and that stations be established in all of the municipalities. The cost of this improvement would be insignificant in proportion to the benefits resulting therefrom to all of the pueblos and to the provincial government, and would pay in itself. Only 20 instruments are needed for a like number of new stations. If the central government decides to undertake this improvement, the pueblos will help by contributing the poles, as they did with the system now in operation. The cost will not be over \$3,000, and it is highly important to begin work at once, starting with the municipalities which till recently were subject to disorder and which have not yet been provided with stations.

FINANCIAL AND ECONOMIC CONDITIONS.

Agriculture.—Though the past fiscal year was ushered in by gaunt famine, which lasted till August and was unprecedented during a period of fifty years, it ended with relative prosperity. The abundant crops following the famine helped to mitigate the condition of those farmers, many of whom, unfortunately, were compelled to mortgage their lands to save themselves from total and immediate ruin; and although the locusts have again appeared at the time this report is being written it is hoped that the heavy rains now falling and the measures that have been taken in the pueblos for the extermination of that pest will save a good many of the plantations.

However, as I have stated, prosperity is only relative. The plantations have not produced what they are capable of producing, nor have prices been up to the average. For example, Balamban in normal years gathers from 11,000 to 12,000 quintals of tobacco. This year the crop has scarcely amounted to 2,000 quintals. Asturias, another tobacco-producing pueblo, has been compelled to sell this year's crop at half the price brought during former years.

A terrifying phase of the economic situation is presented by the decadence of the sugar industry. The production of this article, which had already been considerably reduced, is now fast approaching the fathomless abyss of ruin—a ruin absolutely without precedent or example—owing to the baleful influence of a triple misfortune: The rinderpest, the economic crisis, and the lack of a market.

The products which have brought fair prices are corn, copra, hemp, and maguey. It is a matter of regret that the production of the two latter is still small, while a large part of our copra is shipped in from other provinces. The amount of corn harvested here is scarcely sufficient to meet the local needs of the people. To sum up: Though this is an agricultural province, and hence should derive nearly all of its wealth from this source, the actual production during the fiscal year was only sufficient for present needs, leaving no margin for the future.

I trust that this state of affairs will not continue, knowing that if our present condition of tranquillity is maintained there will be marked improvement as regards our prosperity. My hopes are based: (1) in that in future the principal product of the province will be maguey, a plant that does not need carabaos for planting, and that once planted is not in danger from drought, hard rains, or locusts; (2) in that the completion of the wagon roads from Cebu to Toledo and from Barili to Aloguinsan and the construction of others now being planned, as well as the construction of the railway line from Danao to Argao, which will undoubtedly be extended to the opposite coast, will make transportation so much cheaper and encourage production; (3) in that the establishment of order, the disturbance of which has been the principal cause of our poverty, as it has depopulated our fields and paralyzed agricultural labor, will renew such work and allow a numerous and industrious population to return to their fields and again take up their cultivation on a larger and better scale.

In order to encourage the cultivation of maguey, a crop in every way desirable for Cebu, it is recommended that agricultural stations, like those in Luzon, be established here, there being lands suitable for that purpose which were formerly set apart for agricultural instruction, among those conveyed by the former Spanish Government, in addition to the extensive tracts which the government acquired from the friars.

Industry and commerce.—There has been no perceptible change in the industrial conditions over last year. Next month an electric-light plant will furnish

this city with light. Two ship yards are under construction in the island of Mactan, one with a capacity for vessels of 300 tons being already in operation; the other which is not yet completed will have a capacity for vessels of 2,000 tons. On the other hand the cocoanut-oil factory at Opon has been closed down and will probably transfer to some other place where the raw material is cheaper and more abundant.

As regards commerce, without having emerged as yet from the acute crisis through which it has been passing, the prospect is somewhat better. Though it has been impossible for me to secure information, owing to lack of time, regarding customs receipts at this port, such information as this office has received justifies the deduction that exports have held up and that imports have diminished, especially rice. The importation of rice this year was not half of that for 1903, 1904, and 1905, which indicates that poverty and want have diminished and that the people have been engaged in planting and cultivating this cereal, wresting their bread from the soil in much larger quantities than they formerly begged it from the outside. It is hoped that by next year this onerous tribute to a foreign country will be reduced to a minimum and that it will soon entirely disappear by being replaced by staple articles of food grown at home.

The banks and commercial houses here established continue to do business, but not without some difficulty. An American trust has been established in Cebu and is doing a large business in hemp, while one of the English houses has closed down.

Mercantile business during the past six months has shown more animation than during the first half of the fiscal year, and there are indications that this animation will continue. It must be remembered in connection with this subject, that the market of Cebu provides supplies for a large portion of the Visayan Islands and a part of Mindanao. Retail establishments opened last year still continue to do business, and their concentration in the burnt district, now rising from its ashes like a magnificent phoenix, with its large houses of modern architecture, its broad smooth sidewalks and spacious streets, gives to retail trade an interesting aspect of life and movement.

The province of Cebu is indebted to the central government for the diligent and affectionate consideration that it demonstrated, among other ways, in the construction of the wooden wharf, now rendering good service to commerce, and the stone pier that is being constructed along the southern water front of the city. There can be no doubt that by the construction of the latter the port of Cebu will grow in importance, it being hoped that it will attract the hemp business of the provinces of Albay, Sorsogon, and Camarines, and thus become the principal hemp market of the Philippines.

The business men of Cebu trust that this liberal policy of the government will not be changed and that everything possible will be done to follow out the course of these improvements, which will make the port of Cebu what it should be, considering its geographical, historical, commercial, and tax-paying importance. It is the oldest port, located in the heart of the Visayan Islands, and is nearer to Mindanao than any other port, and besides being a hemp market has contributed to the insular treasury an amount estimated at ₱8,000,000.

In this trust, the province and the American and foreign business men having interests therein would be very grateful if the government would build a sea-wall along the shore from Fort San Pedro, in the northern part of the city, as far as the terreplein known as the terreplein del Seminario. By this work, which would cost less than half the amount which is to be expended upon the southern sea-wall, business would be positively benefited and the city would gain in area and beauty.

When the southwest monsoon begins to blow here, the strongest in the year, loading and unloading of vessels is carried on at great risk in the southern part of the port, and it appears that this will not be obviated by the construction of the sea-wall now building; on the other hand, the northern part, which is now and always has been the place of refuge for vessels in port during the southwest monsoon and during storms, could be used for loading and unloading at all seasons of the year.

This improvement would embellish and improve the sanitation of the city, and with the land reclaimed from the sea and sold to private parties at the high prices that land so located brings the expense incurred in the construction of the proposed sea-wall would be considerably diminished.

It is also a general desire which has been frequently expressed—in fact, at every opportunity—that the military reservation in this part of the city be abolished and the land turned over for general purposes. At present this reser-

vation is used only as a deposit and wharf by the United States Commissary Department, the suggestion being that both the public and the military be allowed so to use said place.

Mines.—There are several in the province. The most important are coal mines. Special mention is made of those at Danao and Compostela. Some companies have been organized to develop them, certain claims having been worked at the two places mentioned prior to the revolution. There is at present a paralyzation in mining business. Two causes have contributed thereto, lack of sufficient capital and unsettled conditions as to peace. As tranquillity has been restored to Danao and Compostela steps are being taken to organize new companies or to raise capital for those already in existence.

One of the coal claims at Danao has a tramway built right to the coal deposits. The Compostela corporation, which has a capital of ₱400,000, is gradually working its four claims at that place. The quality of the coal at these places and at others, such as Naga, is superior, and it is really deplorable that the mines are not worked on a larger scale. The railway from Danao to Argao, the survey for which will be completed by the 1st of October, will offer additional facilities to persons engaged in the mining business.

Forty-four applications for mining claims have been presented during the fiscal year, classified as follows:

According to residence of applicants: By residents of Manila, 24; by residents of Cebu, 20.

According to location of mines: Danao, 24; Naga, 18; Carmen, 2.

According to kind of mine: Coal, 44.

Financial state of the province and of the municipalities.—Public taxation did not remain exempt from the effects of the general deplorable economic condition. On the contrary, it felt them to such an extent that the Commission had to come to the relief of the provincial treasury and of the municipalities and, indirectly, of the people who were without bread and without labor, by enacting a law on August 14, 1905, appropriating the sum of ₱25,000 as a loan to the province of Cebu, returnable within five years. This money was re-lent to the municipalities in addition to the ₱18,000 already lent them from another insular loan appropriated in May, when famine first began to be felt. All of the money so received by the municipalities was used for public works. The relief so furnished the pueblos being deemed insufficient, act No. 1395 was passed September 13, 1905, declaring the province of Cebu exempt from the payment of the land tax during the said year.

Agriculture and business being subsequently improved, the provincial treasury began to recuperate from the financial crisis about the middle of the fiscal year. Act No. 1455, of February 19, 1906, suspending the land tax throughout the islands and providing for the reimbursement of the provinces and municipalities out of insular funds for the amounts corresponding to them for taxes uncollected on account of the suspension, accelerated the recovery of our finances. But the improvement was not sufficient in extent. Act No. 1455 took as a basis for reimbursement the collections of the land tax during the year 1905, and, as has already been stated, no collection having taken place in Cebu during said year the result was the benefits of the law did not extend to us in the just measure that the Commission intended and that our necessities demanded. As a result of this, which was evidently an involuntary error, in many municipalities officials ceased to receive their salaries and some schools closed down with the prospect of many more having to do likewise. It was about this time that the present governor of Cebu assumed the duties of his office. Being aware of all of these difficulties he immediately appealed to the central government, and after setting forth the situation recommended an amendment of the law as an urgent measure. This was done about the middle of April, the amendment providing the transfer of ₱32,321.45 of insular funds to the provincial treasury of Cebu. It is my duty here to reiterate my own gratitude and that of the people of my province for this additional evidence of the good desires of the Commission.

The improvement in economic conditions once started suffered no retrogression, thanks to the energy and skill displayed by Treasurer Schlotfeldt, so that our examination of the provincial cash this day (July 31, 1906) resulted in our finding a balance on hand of ₱184,595.75, that is to say an increase over last year's balance of ₱1,688. Not all of this sum really belongs to us; but discounting the proper amount, the balance is sufficient to justify our assertion that we are passing over the crisis. We owe the insular treasury ₱85,000, of

which sum we will have to pay ₱15,000 this year. Of the amount first mentioned the sum of ₱43,030 was turned over to the municipalities and ₱13,282.50 have been refunded to the province.

The new municipal presidents have earned our sincere commendation by their efficient cooperation in the collection of the taxes. The largest collection was made on account of the cedula tax—₱116,889, during the seven months from January to July, 1906, which is only ₱866 less than the entire collections during the calendar year 1905.

Payments on loans made to municipalities by authority of acts 1343 and 1380 are regularly met. This solvency, in itself a live and high encomium of the financial capacity of these municipalities, imposes upon them very costly sacrifices. The extent of these sacrifices will be understood when it is remembered that there has been an unprecedented reduction in the municipal budgets for 1906, and an extraordinary increase in their school funds. An examination of the municipal budgets shows that nearly all of the municipalities have transferred to their school funds all general revenues derived from acts 1455 and 1475.

It would be desirable to encourage this self-sacrificing and patriotic conduct, and it is therefore recommended that the commission remit one-half of the amount of the loans made to the province in order to give it and the municipalities an opportunity to devote all of the money so remitted to school purposes.

The equity of this measure, which would be received by all with satisfaction, not so much on account of its material value, but on account of its moral effect, is sustained by the following facts: First, when the land tax was suspended in Cebu in 1905, a measure so extraordinary at that time as to be opposed by some members of the Commission, and that was only adopted in view of the exceptional conditions prevailing in that province, Cebu did not receive any reimbursement from the insular treasury, though a precedent for such action can be found in the law of the Commission granting such reimbursement to all of the provinces in 1906 under circumstances relatively normal; second, the insular aid for schools given to the province of Cebu by money gifts was among the smallest given to any province, not only in proportion to the population but absolutely in proportion to the value of the gift.

If the recommendation regarding the remittance of our indebtedness were to be favorably acted upon it would at once relieve our financial condition and place us in position to improve the general condition of the province. The collection of taxes and reduction of expenses, which are now being effected with unprecedented energy and perseverance, will not be sufficient in themselves to more than pay off our debts and provide for our self-support.

MORAL PROGRESS AND MATERIAL IMPROVEMENTS.

Public instruction.—In order not to distract your attention more than is necessary by avoiding the repetition of matters relating to different divisions more or less closely allied, it has been thought best to simplify this report by grouping under one head public education and public works.

One-half of the educational problem in Cebu can be enunciated as follows: Construction of schoolhouses. The erection of public schools is a matter of more importance here than in most provinces, on account of our numerous population and the many fires that have caused great destruction of municipal property. Large sums are being invested in the construction, acquisition, and repair of schoolhouses. The appropriations for 1906 show an increase of 25 per cent over 1905 for educational purposes. With two exceptions—Opon and Bogo—the schoolhouses in the municipalities, constructed with appropriations from the Congressional relief fund given in rice, will be soon completed. In nearly all of the barrios the inhabitants have taken such an interest in this matter that they are erecting schoolhouses at their own expense. The number of municipalities not having central schools of their own is very limited, and measures are being taken in all of them that if seconded by legislation will result in the construction, completion, or acquisition of comfortable buildings for school purposes.

In view of this praiseworthy desire and enthusiasm on the part of the municipalities the provincial government would not be doing its duty if it failed to take action tending to encourage them. After considering as finished a certain discussion had with the bureau of education in April, 1906, which was the cause

of the loss to Cebu of the ₱32,000 offered to it some time before as an aid to the construction of a high school, the first step taken was the appropriation of the amount necessary for the acquisition of a piece of land 100,000 square meters in area in the central part of the city. This land is at present being surveyed in order that negotiations may be entered into with the owners and to acquire title, and if we are successful in doing what we desire, Cebu will have a magnificent educational center sufficiently large to meet the necessities of public education for the next fifty years. The land is situated on a gentle rise and is nearly equidistant from all of the barrios of the city. Roads leading direct to all of these barrios will be surveyed, in order to furnish easy access to the said school and give pupils better facilities for attending school than they now enjoy.

By the side of the school of arts and trades, the building of which with insular funds has already been approved by the bureau of education, we are going to erect the first intermediate school in Cebu, a modern two-story building with a capacity for 300 pupils. At the same time money will be furnished as soon as legislation is enacted for that purpose to complete the estimated cost of a large central school. This aid will mean a saving to the city of ₱4,000 a year, the amount now being expended by it for the rental of inadequate schoolhouses scattered throughout the city. The provincial board is now looking into the titles to a piece of land and building in a ruined condition, but with serviceable walls, which have been conveyed to the province by the municipality of Argao, where an intermediate school is needed. Other municipalities, among them Opon and Dumanjug, are going to receive help for their schools from the general funds of the province.

All of this encouragement in education is merited by the people of the province on account of the interest that they have demonstrated in the education of their children, which can be compared only to that displayed by the latter, especially during the last part of the fiscal year. By no means a small part is played by the American teachers in sustaining this double interest. Special attention is called to the extraordinary zeal displayed by the principal of the normal school at Cebu. With regard to the Filipino teachers, the reduced salary which they receive is never referred to as an excuse for failure to render their services with their accustomed zeal and energy; and the fact that it has been impossible to avoid during the fiscal year irregularity in the payment of their meager salaries has in no way interfered with the regular conduct of the schools. With regard to this irregularity, several complaints were presented during the recent visit of the provincial governor to the municipalities and were acted upon with the then acting superintendent of schools for this division, now principal of the normal school, Mr. John Barrow, who has good school-superintendent timber in him. Some of the teachers had not received their salaries for seven months. They and all others presenting complaints during the course of the said visits were paid on the spot.

The provincial board of Cebu confidently expects that in the development of this great work of preparing for the education of the coming generation it will receive the encouragement of the central government in the shape of assistance where the resources of this province are insufficient. Permit me to assure you and the commission that no effort will be shirked in this work and that the increase in the number of pupils enrolled and of the daily average attendance will be followed, whenever practicable, by the construction of additional schoolhouses. The provincial government hopes to crown all of this work by the construction of a superior school building, as has already been done or is being done in the majority of the provinces (nearly all with insular funds), but will be unable to attempt to start the work before the middle of the next fiscal year owing to certain unavoidable consequences of its bad luck in this matter. If the vigorous action of the central government should raise this matter from sepulchral oblivion where circumstances have placed it to the detriment of the high ends of the administration and of the progress of the schools of this province, the government of Cebu would be ready to support the part of the burden properly corresponding to it and something more besides. The provincial board believes and respectfully submits that it does not ask but what is reasonable when it petitions that the province of Cebu be treated, as regards the question of the construction of superior high school, as the other provinces have been treated, notwithstanding the fact that the unusual increase of school appropriations in our financial stringency will impose upon us during the fiscal year which begins July 1, 1906, such sacrifices as no other province has at any time had to put up with.

Public improvements.—In addition to the various material improvements to which different sections of this report have made reference, and which will not be mentioned here for the sake of brevity, the following public works were done up to June 30, 1906:

3.380 miles of road constructed.....	₱11,813.13
21.274 miles of road repaired.....	3,071.06
18,000 miles of road maintained.....	249.00
9 bridges constructed.....	2,479.15
4 bridges repaired.....	139.99
1 building constructed.....	509.33
6 buildings repaired.....	4,747.25
1 survey of roads made.....	218.69

The sum of ₱1,283.17 has been expended for tools. The cost of the materials used amounted to ₱6,571.92 and the labor ₱15,655.12.

Particular mention is made of the provincial government building, the repairs to which are estimated to have cost some ₱5,000 and left it as good as new. This large and beautiful building was threatened with ruin through the ravages of the anay, which had attacked four-fifths of the woodwork of the upper floor and about one-fifth of the roof joists, etc., when the provincial board in the month of March ordered the repairs to be made. Changes have been made in the partitions of the upper floor so as to provide an adequate distribution of offices and an addition of two offices, one for the sheriff and the other for the district auditor. A special salon for use on public occasions, aside from the one formerly set aside for the court of first instance, has also been provided.

A proposal for bids has been drafted for the construction of a bridge over the Cotcot River at Liloan. As a result of our experience during our last inspection of the municipalities, the trip having been made by land, the provincial board has directed the drawing of a map showing all of the roads in the province which shall specify in detail all sections in bad condition and the location of all bridges and culverts, many of which are in a bad state of repair. While waiting for the completion of this plan or map which will exactly show the needs of the province as regards roads and bridges, the work at present will be limited to maintenance and small repairs, with the exception of the road from Cebu to Toledo and from Barili to Aloguinsan, where the work is construction entirely new.

The cost of all the municipal work done during the year, which has been quite considerable, is not mentioned herein for the reason that all of the reports of the municipalities have not been received, as stated before.

In the city of Cebu important improvements are being carried on which will assure its future prosperity upon a firm basis. The city is becoming modernized within and without. During the first ten days of September, 1905, the works of the port were started after the buildings to be used as deposits for tools, machinery, etc., had been finished, all of the machinery and part of the material having been gathered together by the contractor in the month of March. Work has progressed uninterruptedly night and day. One-fifth of the total work has already been completed notwithstanding the fact that it is the most difficult as it consists of cement work under water.

The business district, comprising calles Escolta, Alcarazo, Infanta, Blasco de Garay, and Noa Victoria (which now have other names), which contained the best built-up section and most valuable buildings of old Cebu until three fires in succession caused a change, is becoming an entirely new town with new streets and houses.

The streets have been newly aligned upon a rectangular plan. With the exception of calle Infanta, which has been widened from 10 to 20 meters, all of the other streets have been straightened out and widened from 12 to 24 meters, the width given to the new Escolta. The narrowest streets in our district are 15 meters in width. Cement sidewalks have been given a uniform grade and are 3, 4, and 5 meters wide according to the total width of the street. The new buildings, all of modern construction, are from one to two stories in height with a minimum elevation of 8 and a maximum of 12 meters. There are at present ten houses, valued at about ₱300,000, constructed. Fifteen others estimated to cost ₱200,000, are in course of construction, and it is hoped that the center of this commercial district will soon be entirely rebuilt.

These improvements are in charge of a special committee organized in accordance with the provisions of a resolution of the Commission and confirmed

in September, 1905, by act 1393. This committee was organized for the purpose of settling certain questions between the insular and the provincial and municipal governments of Cebu relative to the proposed widening of the old Escolta in the city of Cebu. These questions had been hanging fire for four years in the midst of great friction between government officials and of considerable detriment to the property owners of the lands situate on the Escolta, who were unable during all that time to rebuild, but were nevertheless obliged to pay taxes on their land, the highest in the city. While fiscal of Cebu, I was honored by being consulted in the matter and proposed the solution of the difficulty in March, 1905, which was afterwards adopted by the commission, and put an end to the embarrassing situation which was harming all persons concerned. As a result of the solution of the Commission, widening was not restricted to the Escolta, but was made extensive to the entire burned district, an area ten times greater. The committee appointed was composed of the consulting engineer to the Commission, representing the Commission, the provincial supervisor, and the provincial fiscal, representing the province, and the municipal president of Cebu, representing the municipality.

The difficulties encountered by the committee at the beginning were not a few, as the change produced a veritable revolution in the location and value of the property affected, the most valuable in the city. In the end all of these difficulties were overcome by the patience, constancy, and willingness to compromise shown by all parties concerned. The amount of progress made by the provincial fiscal in representation of the committee in the matter of drawing up preliminary agreements with the property owners led to the necessity for definitive legislation in September, 1905—legislation which was immediately enacted. The liberality of its provisions has been highly appreciated by the people of Cebu. The name of Governor-General Wright, with whose valuable support such legislation was secured, must be recorded in this official document in testimony of the fact that the people of Cebu remember him with singular respect.

The beautiful plan which is to make of the burned district a model one is the work of Mr. T. Warren Allen, an engineer who was formerly the provincial supervisor of Cebu and is now district engineer for Cebu, Bohol, and Oriental Negros. In accordance with the said plan, many definitive contracts accepting the changes proposed by the insular government have been signed, and subsequently the construction of the houses and buildings mentioned above has been authorized. Though the work is necessarily difficult and requires a good fund of perseverance and zeal and the absolute confidence of the property owners affected—all of it being based on friendly agreements—it is expected that it can be continued and prosecuted to the end. It is indispensable that no change be made in the members of the committee as originally appointed nor in the general plan adopted, and it is so recommended. The present satisfactory status of this matter is the result of patient labor and much time and any change would signify instability and cause the loss of the confidence of the public. Incalculable harm would be caused by the loss of public confidence in this work, which is singularly complicated in itself and whose antecedents are antagonisms, strife, and distrust.

Up to the present time, notwithstanding the reduction in area of nearly all lots in the burned district caused by the increase in the width and number of streets, no indemnity has had to be paid, and the secret of this is to be found in the fact that the value of the lots has increased one-third.

Other improvements might be undertaken with beneficial results to the community, such as a boulevard along the north shore of the city, shortening the distance between Cebu and the old municipality of Talamban, now consolidated with Cebu, as much as possible, and the building of a canal at Dayhagon, in the northern part of the island.

The Cebu-Talamban boulevard would not only embellish the city but add to its sanitation. The large area of reclaimed land would undoubtedly go a long way toward paying for the cost of this work.

The Dayhagon canal, recommended by all of the pueblos in the northwest of Cebu, would increase the traffic at this port and would avoid many accidents and the paralyzation of navigation during the northeastern monsoon. When the latter is blowing, vessels coming from or near the opposite coast of Cebu, in order to avoid the danger of rounding Point Bulalake, make for Ilollo instead of coming to this port, and have to take a longer route that is not exempt from serious dangers.

The completion of the work on the Magallanes monument, in the island of Mactan, is another undertaking which ought to be promptly taken up. The dirty

and poor appearance of this monument does not do justice to the historical greatness of this hero of the civilization of the Philippines.

In order to make it easy for the municipalities to carry out such improvements as they may deem advisable, prompt action should be taken to extend to this province the legislation of Congress authorizing municipalities to issue bonds for municipal public works.

Public health and sanitation.—The conditions as to public health and sanitation have improved to a great extent in this province during the fiscal year. Cebu is free from all infectious disease. Three hundred and sixty-three lepers have been sent to Cullion and the balance that still remain in the island are ready to be transferred there. The excellent condition of the public health is indicated by the relation between births and deaths in the proportion of 3.54 per cent for the former against 2.21 per cent for the latter, an increase of the population which makes the total estimated on June 30, 1906, at 703,052.

The interesting report of the district health officer for this district, from which the above information has been taken, is attached hereto as Exhibit C.

VISIT OF THE SECRETARY OF WAR.

In August, 1905, the city of Cebu had the honor of being visited by the Secretary of War, Hon. William H. Taft, accompanied by a distinguished party of United States Senators and Representatives and some members of the insular government, including the then governor-general, Hon. Luke E. Wright. Both on account of the distinction and number of the visitors this expedition was unprecedented in the history of the government of Cebu, unless we go back to the first years of the Spanish epoch. In spite of the fact that this visit took place in the midst of the harsh rigors of famine in Cebu, the entire province gave a popular reception to its ex-governor-general such as had not been witnessed since August, 1898. The people of Cebu endeavored specially to demonstrate by that splendid reception that they wished to be courteous and hospitable to the representatives of the great people who, after treating so affectionately the Filipino representatives to the St. Louis Exposition, had come to the Philippines personally to meet the inhabitants and learn of their conditions. Certain arches constructed of hemp and sugar along the route taken by the party made patent the tendency to place the vital question of the tariff before the eyes of the visitors.

On account of the short duration of the visit, which lasted but twenty-four hours, it was impossible to hold a public meeting where the opinion of the people visited with regard to this and other questions might have been expressed. But the honorable Secretary of War offered an opportunity to present recommendations in writing and a committee delivered a memorial to him which contained some resolutions adopted by a convention of Filipinos held at Cebu, ratified by the municipal presidents in the province and other representative persons living in the pueblos.

Solely as the expression of the will of a part of the people of the province of Cebu, among which figured nearly all of the elective officials of that time, the said memorial is appended to this report as Exhibit D.

JUSTICE AND POLITICS.

Judicial.—If our higher administration of justice, comprehending the supreme court and the courts of first instance, including the court of land registration, is one of the branches of the government that the best administration might well be proud of, the court of first instance of Cebu (eleventh judicial district) is entitled to be regarded as a select part of the said branch. The fact that in no department of the government the exercise of discretion has so wide a scope and is subject to so many dangers, imposes the necessity for a personnel so absolutely qualified that all are agreed that it is preferable to have good judges and bad laws than good laws and bad judges. The proved efficiency of the judicial personnel assigned to Cebu has not diminished during the past year, as has been testified to by the interest with which the people have followed every change, however transitory, which has been made.

What appears inadequate, but is susceptible of easy correction, is that a court which administers justice to nearly three-quarters of a million souls, such as that of Cebu, should not have permanent sessions as in Manila and Iloilo. They should be and can be made so without legislative action. The law provides that the judicial district of Cebu shall have a judge, at large, in addition to the regular judge, who can act in part of the district when required

to do so by the latter. This judge at large, since the enactment of the law, has not sat in Cebu except during the last four months, during the absence in the United States of the regular judge.

In the interests of the service it is suggested that the judge at large belonging to Cebu and residing therein be not required to serve in other places outside of the eleventh judicial district, in order that when required by the district judge he may assist him in the district and a permanent court may be maintained in Cebu, while regular sessions can be held in Bohol and Oriental Negros.

The advantages of this innovation would be patent. Cases would suffer no delay and consequently litigants would be encouraged to appeal to these courts. The saving in expenses and freedom from harm which litigants would enjoy in the prompt dispatch of business would result in a double benefit—the satisfaction of the public and a saving of a part of the expenses of the provincial jail. Personal liberty, more intensely appreciated by the great mass of the people now than ever before, would not be taken away from anyone in cases of provisional detention, except for the period absolutely necessary, where persons under arrest are unable to get bonds, cases which constitute a large part of those brought before this court.

These benefits would also extend to the justice of the peace courts whose degree of efficiency demands the guidance of an intelligent, superior, and zealous hand. The law enacted for the purpose of reorganizing the justice of the peace courts makes all of their efficiency depend upon the direct action of the judges of first instance. In order to properly discharge their duties the latter will need the time necessary for occasional visits to the municipalities. This being so, I trust I may be permitted to state that the small experience I have had with relation to the conditions as to justice of the peace courts during the time I held the office of provincial fiscal of Cebu and Oriental Negros, and my small knowledge of local affairs in general, compel me to describe the situation as it really is, by saying that in a district containing over a million inhabitants, such as that comprising the provinces of Cebu, Bohol, and Oriental Negros, it will be impossible, absolutely impossible, for one single judge to comply with the duties imposed upon judges of first instance with relation to justice of the peace courts, unless he neglects the duties properly incumbent upon him as a judge of first instance.

It is unnecessary to insist that my interest, as chief executive of this province, in the success of the justice of the peace courts, is imponderable. The justice of the peace courts are a primordial element in the maintenance of good order in the pueblos, and I am certain that the work of an executive endowed with the highest sense of his responsibility and the duties incumbent upon him would be frustrated if the justice of the peace courts were not conducted as they should be. Any attempt to improve conditions in the pueblos would under such conditions meet with serious impediment. The necessity of having good justice of the peace courts is specially indispensable now that peace has just been restored.

Political conditions.—Famine having disappeared and the rigors of poverty having been passed through; the wealthy man feeling secure in his home, his property, and his tranquillity, and the tiller of the soil being free to devote his energies to the art of husbandry; with universal confidence in the officials of the government keeping open wide the doors of law and justice, the political situation does not offer, at the time of writing this report, evidence other than that of general satisfaction. It was otherwise during the first months of the year, when famine tormented the people and disorder and lack of safety made the rigors of poverty all the more extreme, as it drove the inhabitants from their homes and made the fields alike inaccessible to all. It is hoped that condition of affairs will not return and that, in response to the individual efforts of the industrious people of Cebu and the tact and wisdom of the authorities, provincial and municipal, and the aid of the central government, the material and moral conditions will improve from day to day, and that during the coming year, when the people shall more fully enjoy the benefits of peace and liberty than ever before, it will be characterized by the love of the people for industry and by their respect for law and order, as well as by the increased progress and welfare of the province.

Respectfully submitted.

SERGIO OSMEÑA,
Governor of the Province of Cebu.

The GOVERNOR-GENERAL.

Exhibits to the report of the provincial governor of Cebú.

NOTE.—Exhibit A, referring to the organization of the provincial government offices, is omitted.

EXHIBIT B.

[Translation.]

OFFICE OF THE PROVINCIAL GOVERNOR OF CEBÚ,
Cebú, June 30, 1906.

SIR: On the 25th instant I sent you the following telegram:

"IDE, Manila:

"I had a conference last night with Quintin Tabal, principal brigand leader in Cebú, who decided to surrender, turning over to me 3 Krag rifles and 1 Springfield in good condition. Quintin has returned to the hills to secure surrender of his companions and to deliver to me the only 3 rifles that are now out. I hope for immediate and complete tranquillity.

OSMEÑA."

The information contained in the preceding telegram requires some explanation, and I gladly give it by means of the following

REPORT.

When I assumed the duties of my office on March 5, 1906, one of the most important problems pending solution of the administration here was that relating to the public order. Disorder had prevailed in the province for years, all efforts made to suppress it having been little less than useless. However, it must be acknowledged that such efforts were deserving of the highest praise. The outlaw bands of Cebú were not so numerous, but some of them were provided with rifles, and all had apparently an organization that was adequate to support them for an indefinite time. Had it been otherwise, it can not be understood how disorder could have continued to exist in spite of the activity of all of the loyal forces that pursued these bands indefatigably, deprived them of their means of support, and captured or made unserviceable many of their adherents or persons supposed to sympathize with them. When these bands were supposed to have been exterminated, or, at least, dominated, they would surprise every one by those daring acts of unfortunate celebrity that, like their incursions in the district of Consolación, Mandaue (May 7, 1905), and the pueblo of Minglanilla (July 18, 1905), and the attack on the Biga camp at Toledo (March 7, 1906), struck terror to the hearts of the inhabitants of the pueblos and produced a bad impression respecting the efficiency of the protection afforded peaceable and loyal people.

As the indifferent success of this work could not be attributed to lack of zeal on the part of the persons whose duty it was to perform it, I having been witness to this zeal from my position as fiscal during my examination of the cases for bandolerismo, which gave me an opportunity carefully to study the problem, it became necessary for me to seek, as I did seek, the cause of the failure in the system followed by said persons.

The question was not to lose time in criticising the past and the system, but of making the best use possible of the facts furnished by the former as an orientation for the future. For this reason I will merely say that after careful consideration I found that another system entirely different from the one in use up to that time, based upon the sincere cooperation of all, and especially upon the collective interest and efforts of the people of the towns, could be adopted with a better chance of success. I so stated to you in a conference at Manila about the time that you were inaugurated governor-general of the Philippine Islands, and after coming to a complete understanding with regard to certain matters dealt with at the conference, and which referred principally to a certain policy involving the use of force as well as of "attraction," more especially of the latter, I definitely adopted the said system and returned to Cebú for the purpose of putting it into practice.

As soon as matters of a general and urgent character requiring action at the time of my induction to office were disposed of, I made ready to travel into the province by land, in order to come into direct contact with the people. The trip included 150 miles of horseback riding. I invited other members of the provincial board to accompany me, and had the good fortune to have them consent

to do so, in a minute inspection of the affairs of the pueblos. This inspection was as complete as it was possible to make during a brief space of time. All of the members of the provincial board being on the ground, it was possible to dispose of all sorts of business incumbent upon the provincial board without unnecessary delay, with little trouble to the parties concerned, and with information that was fresh and first-hand.

During the trip the matter of public order had, of course, the first claim to our attention. I am pleased to report that in this particular I received every assistance from the constabulary. Colonel Taylor having been unable to assist me personally, as he had promised, Major Nevill, in charge of the constabulary of this province, took his place.

After a full investigation of the facts and circumstances of the case in each of the pueblos affected by disorder which we visited, it was my firm belief that the cooperation of all of the pueblos in the work would be of beneficial results. I had prepared a plan, as stated to you in Manila, but being desirous of receiving the suggestions of all parties concerned, and above all believing that it would be an excellent thing in practice that the plan should reflect the consensus of opinion of the persons called upon to carry it into execution, I conceived the idea of convoking a convention. This convention should be large, and in order to be so should be composed of not only the presidents, but also the councillors, *tenientes de barrio*, and other headmen of the affected pueblos. I immediately convoked the convention in spite of the fact that the general law gave me no facilities for this work. As there is no provision made for the expenses of a convention of this character and the province did not have the means I stood in need of, I asked Colonel Taylor for the use of the steamer *Ranger*, and used same to transport the members of the convention from and to their homes. I paid all of their expenses with the exception of transportation.

I constantly had before me your letter of April 23, with regard to public order in my province, and it is needless to say that I gave special attention to the pueblos you mention therein as deserving it. Among the pueblos cited I included Balamban, which is adjacent to Toledo. This pueblo, on the other coast of the island, was looked upon not only as a central point, but one of the most suspicious on account of its heavy timbered and extensive forests, where it was suspected the outlaw bands had one of their lurking places, and I therefore fixed that as the meeting place of the convention. Balamban took this designation as a special honor without, perhaps, foreseeing its results, that were subsequently so beneficial to it. As a matter of fact, never before has there been such a convention there, either as regards the importance of the matters discussed or the quality and number of its members. I opened it amid the expectation and deep interest of the people, and I am glad to say that it was a complete success both as regards the members and the pueblo of Balamban, especially for the latter, which benefited greatly from its contact with the representatives of other pueblos filled with courage and patriotic abnegation.

After one day's session, which was attended by officers of the constabulary and scouts, and in which the discussion was as interesting and free as it was orderly, the following conclusions were unanimously arrived at. As will appear, the convention coincided with the lines of action that I had laid down beforehand with your approval:

1. The municipal police to be reorganized. This reorganization would involve the union of the police forces of the distinct towns as homogeneous tactical units into one whole, with the same equipment, uniform, armament, and maintenance, under the direct command of the provincial governor; the selection of its personnel; the increase of same, with the aid of the provincial board, whose consent thereto was previously had; mobilization of the corps.

2. Reorganization of volunteers as an auxiliary force of the police.

3. Organization of committees on public order to attract the bandits within the law.

These conclusions were in themselves important; but they were much more so in view of the fact that success had crowned the attempt to awaken the enthusiasm of the people in the towns, and that they had been animated with better desires now that the ice of the indifference with which they had been wont to look upon questions concerning the public order had been broken. Everybody responded to my lively enthusiasm with all sorts of offers. Property owners were not wanting who offered to pay for the cost of the subsistence of any column of loyal troops that I might send them. And, owing to the interest awakened, these people looked upon the question of public order as a question of honor, so that the most reliable and efficient persons in every

town had no objection to serving on the municipal police force. The selection of the members of the police was carried on with the success indicated by the fact that an attorney at law, who was spoken to about the matter, gladly accepted the position of chief of police of one of the pueblos. As it was known that I would personally direct the work, everybody offered to accompany me in the expedition and help me. Those who, on account of age or temperament, were unable conveniently or without a sacrifice to take part in active operations, were appointed members of the committee on public order whenever they had the necessary qualifications as to responsibility and standing in the community. The plan of campaign was agreed upon. Its details can be furnished to you by Mr. Shearer, secretary of the equalizing board, who conferred with me when he passed through Cebu. In order to give a slight idea of the said plan I will state that we attacked the problem presented by public order in its two most important phases: 1, by providing ample protection to the pueblos and nearest barrios; 2, by preparing a campaign of extermination against the brigands. For the protection of the pueblos we relied upon the municipal police, which we considered on account of its being duly armed and disciplined as capable of repelling, with the aid of the services of citizens enjoined under the provisions of act No. 1309, the enemies of good order. In this manner we hoped to prevent the desolating incursions of the pulahanes, a name that has been applied to the outlaws in arms in Cebu, which it was impossible to impede in past years and that caused incalculable damage to the persons and property of loyal citizens and to the prestige of the government. It was our purpose to confide the campaign of extermination to the combined efforts of the constabulary, scouts, and police. A good system of operations might assure us good cooperative and constant work. Avoiding all abuses and annoyance to peaceable citizens, we would win over their support and loyalty and would easily receive information that is never more valuable than when received direct from the people of the town themselves. We had resolved, in our plan, that we would have no use for volunteers or paid secret-service men—two institutions that are burdensome in an economic sense and dangerous, and also at times producing results contrary to those desired in a political sense. Our motto was a smaller but a better force, composed of regulars, in order to carry out a work that was eminently popular, constant, just, intelligent, and efficient. At the same time and in a way concurrent with the work of the troops in campaign, the committees on public order carried on their work.

So that while we undertook to carry on an active campaign, without interruption, with the people of the towns, who knew their ground, their men, and their resources, and made the life of the outlaw bands difficult, if not impossible, the committees on public order in the pueblos were engaged in the work of employing their influence and personal prestige for the purpose of inducing the members of said bands to adopt a lawful mode of living. This policy, fully accepted by the people, also received the approval of all other provincial officials, including the officers of the constabulary, and developments show that the hopes based upon this cooperation were not frustrated.

As a measure tending to the same end, a reward of ₱3,000 was placed upon the head of the principal outlaw leader—Quintin Tabal (in the belief that the insular government would increase by ₱500, which it has not yet done)—and I announced that each bandit, not a leader, who would surrender with his rifle would not only be assisted in securing full pardon, but would receive ₱200 from me for the rifle surrendered. This was done in accordance with the plan of leaving the outlaws without rifles. In the work involving the hunting down and destruction of armed bands it appeared to me that the capture of the leaders was not more important than the capture of their best arms. Moreover, persons having relatives in Bilibid serving sentence for bandolerismo were notified that if they aided the government and tranquillity was definitively established their relatives would probably be pardoned. I also began to search for those persons who were suspected of being implicated, directly or indirectly, in the disorders, and instead of making matters all the worse by filing criminal charges against them or reopening old cases in which the facts had been forgotten or were but little known, I endeavored to make something out of them, knowing them to be a group at times neutral, at others surreptitiously hostile, and always holding aloof from the government through motives of fear, convincing them of the importance of tranquillity to us all and making them see what they themselves would gain from it by securing their own safety and peace and that of their families if they aided us.

From the west coast of Cebu I returned to the east coast where I convoked another convention which gave exactly the same results as the first.

A few days after these negotiations had been in progress information was received with regard to the place of refuge of some of the leaders of the outlaw bands. As you know there were several such leaders in Cebu working independently, though I believe that in several places they worked upon a concerted plan. Two of the most notorious, upon whose head a price had been set, as upon that of Quintin and Aday, were found with a few of their followers and no rifles. I did not at that time pay much attention to these minor chiefs, whose capture I thought would offer a great many difficulties, and devoted all of my efforts to looking for Quintin Tabal and his brother, Anatalio Tabal, alias Aday. I was most worried about the bands of the two latter, who had some sort of an organization and were provided with rifles. Several expeditions were made by the constabulary at the same time that emissaries were sent out in all directions. We had not long to wait for surrenders. They began at Pinamungajan (a pueblo situate near Toledo and one of those where I had left a committee on public order), while at the same time I received confidential information that Quintin Tabal was aware of nearly all of my trips and preparations and wished to hold a conference with me. Not without some hesitation, having in mind what took place at Magtaon with Governor Curry and what happened to the unfortunate Governor Bolton, I decided to agree to the conference in the hope that something might result from it. I consulted with Major Neville and my colleagues of the provincial board over the matter. We fixed upon Mount Buhisan as the place for the conference, it being agreed that Quintin and one companion only should meet me and Major Neville, and that all parties should separate from their respective escorts and carry no arms.

We waited two weeks for the return of the emissaries who carried our answer. During this interval the torrential rains, which still continue, kept falling, and we received no news. In the meanwhile I fell sick with fever, and Major Neville made a rapid trip to Leyte, having been called there by the events taking place at Burawen. About this time the emissaries returned, advising me that Quintin Tabal, with a part of his forces, armed with four rifles, had camped at the place designated for the conference, waiting for it to be held. The said band waited for me four days, and during that time, after forcing medical treatment, my fever became worse. Hours were very precious. It being impossible for me to leave my home, I did everything possible to inspire confidence and imbue patience in Quintin Tabal. As a last resort, when I thought the occasion opportune, I endeavored to bring him to my house, giving him my word that after the conference he was free to go back if he so saw fit. What was looked upon as little less than impossible was realized, and Quintin Tabal, who had been considered as hard to deal with, suspicious, and uncompromising, presented himself at my house, in a peaceful manner, at 10 o'clock at night, Sunday, the 24th instant. I was in bed with a temperature of 39.5 C., and, not wishing to lose the opportunity of reaching the heart of this notorious outlaw leader, through good advice, I received him as well as I could.

THE CONFERENCE.

No soldier or policeman was present during the conference. Had it been otherwise suspicion would have made a failure of it. I confided my personal safety to the improvised defense of a few loyal friends, nearly all of whom are Government employees, who had accompanied me during my illness.

Quintin Tabal is a young man; he is quiet and self-possessed. He speaks only the Visayan; deliberately, but clearly. Whether imagination or reality, it is none the less true that when this man presented himself to me, instead of finding him the terrible fellow imagined, he was one whose appearance and disposition were entirely at variance with what I do not know whether to say legend or history has painted to us. In a tone of humility Quintin told his past. He says that his antecedents are not those of a brigand. He and his family, more than relatively well to do, were almost rich before the insurrection against Spain. They are hill people and have worked their own lands in the mountains. As a matter of fact they were the sole owners of the place called Sudlon, the bulwark of the first insurrection against Spain. Quartered at Sudlon the insurgents drew their supplies from the hacienda of the Tabal brothers. After the fall of Spanish sovereignty, the insurgents took possession of the city, the Tabals accompanying them vested with a certain distinction

and rank. Afterwards came the second insurrection (the revolution against America), and Sudlon was retaken by the revolutionaries until the American troops, guided by Adoy, the brother of Quintin Tabal, penetrated therein and took it. Then the Tabal family was harshly persecuted and led a wandering life through the mountains. This continued until the revolutionaries surrendered. Quintin Tabal did not surrender, and subsequently, after suffering certain persecutions, he was able to get possession of six rifles. With these and two others that his brother Adoy had he has remained in the field, successfully evading the efforts of the loyal troops to capture him and sowing disorder throughout the entire central part of this island and province.

RESULTS OF THE CONFERENCE.

If, instead of being 350 miles from Manila, Cebu were near the capital of the Archipelago, a short conference with you would perhaps have decided in a few hours the public tranquillity of this province that for so many years and at the cost of so many sacrifices has been sought for in vain. I am convinced that Quintin Tabal and his people desire to make a complete surrender in good faith, and that it will have a powerful influence on that of other outlaw bands and will restore peace to this island, which I agree with you is an imperious necessity. But I am also persuaded that Quintin Tabal and his people wish to keep their liberty. As my conference with you in Manila did not comprehend this contingency, except in so far as the exercise of executive clemency in favor of bandits not guilty of murder might be possible—as our information was that this bandit chief would never surrender and that it would be easier to get him dead than alive—it is manifest that I was not in a position to close with this leader upon the terms of his surrender. Of course I was unable to give promises that I was not sure of being able to keep.

In the midst of these circumstances I thought it my duty to make the best of the situation without compromising anything, leaving your action and mine free. For this reason I simply inspired all the confidence I could in him and advised him to hasten his surrender, though coming to no definite agreement as to it, in order to have time to receive your concrete instructions. I saw that the principal and immediate work was the acquisition of the four rifles in the hands of Quintin's escort that had stopped a few miles from Cebu. I exhausted all efforts to arrive at this result; and when Quintin Tabal promised to turn over the four rifles on the following day I closed the conference, but did not shut out the hope to him that he might enjoy his liberty under the law, though I gave him no positive promise with regard to that. This conduct on my part, however, was sufficient to have accomplished the moral surrender of Quintin from the night of the 24th, and he left me with a certain confidence, promising that he would surrender with his brother Adoy and all of his people whom he would look for, promising me, moreover, that he would surrender the three rifles and a cannon in possession of the latter (this is aside from the four rifles I have mentioned), who had remained behind in the mountains as an escort for Adoy and Quintin's wife and children.

Quintin Tabal kept the first part of his promise by sending me the next morning at 10, without the necessity of a reminder, the four promised rifles, all in good condition, and quite a quantity of ammunition, by a *teniente de barrio* who had been designated for that purpose.

It had been agreed between the constabulary and myself that in the meanwhile and for so long as it is considered prudent, the troops would not be sent out on expeditions, in order that there might be no obstacle in the way of the surrender and that it might be carried out. It is a great satisfaction for me to inform you that prior to and during these conferences Major Neville first and then Lieutenant Barber, acting during Neville's absence, did everything they could to help me, taking measures to safeguard my person and to avoid my negotiations from being obstructed.

The fact of the surrender of the four rifles without previous agreement, justifies optimism in judging the situation. But even if a pessimistic view is taken, and supposing that neither Quintin Tabal nor his brother Adoy finally surrender, for one reason or another, there can be no doubt that there is reason to affirm that tranquillity is half assured. These four rifles are the majority of those in the hands of outlaw bands, and are the best arms they have had—three Krag and one Springfield. The ones out are one Remington in good condition, one Spanish Mauser, also in good condition, and one Remington in bad condition. And in case that we should be obliged to proceed with an active campaign as

planned, our people will work with more encouragement, while the bandits by the loss of these arms will have difficulty from the demoralization that is already rife in their ranks. The committees in the pueblos have lately received additional surrenders.

I look upon the return of Quintin to the mountains as an agent for spreading broadcast our policy of attraction. In order to confirm this policy and to decide upon what action it is now best to take, I will, with your permission, leave for the mountains as soon as my health permits.

There is general rejoicing in the province over the prospect of a change in conditions. All are decidedly in favor of a total and definite change at any price, hoping that in this manner the province may be enabled to lift itself from its present condition of depression and poverty. The agricultural problem in Cebu is more complicated on account of the absence of tranquillity than by the lack of carabaos.

Awaiting orders and instructions regarding the treatment that can be given to the surrendered, as well as any others that you may be pleased to give me, I am, my dear Governor-General,

Very respectfully, your obedient servant,

SERGIO OSMEÑA,
Provincial Governor of Cebu.

HON. HENRY C. IDE,
*Governor-General of the Philippine Islands,
Manila, P. I.*

EXHIBIT C.

Provincial government of Cebu.

OFFICE OF PROVINCIAL BOARD OF HEALTH,
Cebu, P. I., August 2, 1906.

The PROVINCIAL GOVERNOR, *Cebu, P. I.*

SIR: I have the honor to inclose herewith report of sanitary work done in this province during the period from July 1, 1905, to July 31, 1906. The total population of the province, taking the census report for a basis and adding monthly the increase of births over deaths, amounts to 703,052 people. During the period for which this report is written the following is a statement of the births and deaths as taken from the monthly reports of each town:

Births ----- 24, 931
Deaths ----- 15, 628

Increase in population during the period, 9,303, a very healthy increase.

Number of births per thousand ----- 35. 46
Number of deaths per thousand ----- 22. 19

Owing to the lack of physicians in the province (there is not one outside the town of Cebu), diagnoses of diseases are very inaccurate and unsatisfactory. The following is a list of the principal causes of death taken from the monthly reports of the municipal presidents who make the diagnoses. It will be seen that malarial fever leads by a large majority, with beri-beri, typhoid fever, and dysentery close for second place. That there were as many cases of typhoid fever as reported is not believed by anybody who knows conditions in the province.

	Males.	Females.		Males.	Females.
Malarial fever.....	1, 602	1, 449	Pulmonary tuberculosis.....	248	237
Beri-beri.....	494	325	Infantile convulsions.....	258	243
Dysentery.....	158	418	Smallpox.....	149	130
Typhoid fever.....	395	270			

There has been in the province for the last two years a group of vaccinators employed by the bureau of health who have been carrying on a systematic vaccination of all the inhabitants of the province and whose work now is very

near completion. When their work is completed over 90 per cent of the entire population will have been vaccinated and smallpox will practically be eradicated from the province.

In the year 1903, or before systematic vaccination began, there were 2,942 deaths from smallpox, while for the period from July, 1905, to July, 1906, there were 279 deaths from smallpox, a most remarkable decrease.

Number of vaccinations.....	212, 025
Number of inspections.....	181, 951
Number of positives.....	93, 767

The above figures are for the period from July 1, 1905, to June 30, 1906.

There were in this province on May 25, 1906, 701 reported cases of leprosy, but on that day the hospital in Cebu, containing 363 lepers, was broken up and the inmates transferred to the island of Cullon, where a home for these unfortunate people has been established by the government. The collecting of the ones remaining on the island will be left to some future date, when it is hoped all will be sent there.

Before closing I wish to call your attention to an evil that is growing dally, i. e., the evil of prostitution, which is going on practically unchecked, and as a consequence of this venereal diseases are very common.

I also wish to call your attention to the need of a hospital, a need that affects all classes. Our municipal hospital is a disgrace, and that there is not a better one reflects no credit on the people of Cebu.

I wish to thank you for the assistance you have given me in my work during the past year.

Very respectfully,

ARLINGTON POND,
District Health Officer.

EXHIBIT D.

[Translation.]

TO THE CONGRESS OF THE UNITED STATES AND THE PHILIPPINE COMMISSION:

HONORABLE GENTLEMEN: Designs, superior to the will of man, have placed the fate of the Filipinos in the hands of the people of the United States. Fortunately, the people of the United States have assumed this responsibility before all nations, through motives of liberality and altruism, "not to subjugate us, but to liberate us." It has so been proclaimed repeatedly, and it has so been placed on record in formal documents written by the American Government to and for the Filipino people.

In his proclamation to the Filipino people, dated December 28, 1898, President McKinley said: "It is the duty of the commander of the forces of occupation to announce and publish in the widest manner possible that we have not come (to the Philippines) as invaders or conquerors, but as friends to protect the Filipinos in their homes, in their employments, and their personal and religious rights.

In the instructions to the Commission the late lamented President, as legal arbiter of the destinies of the people while the war lasted, expressed himself in the following terms: "In all forms of government and administrative provisions which they are authorized to prescribe the Commission should bear in mind that the government which they are establishing is designed not for our satisfaction or for the expression of our theoretical views, but for the happiness, peace, and prosperity of the people of the Philippine Islands."

In accordance with these ideas and precepts the Commission created provincial and municipal governments and enacted the administrative legislation which it thought necessary. Congress later confirmed the action of the Commission.

This formal ratification by the highest legislative body in the United States made supreme and indisputable law of what was merely the policy and design of President McKinley. This being so, the government in this manner established could not respond to ends other than those accepted and proclaimed by him—that is to say, to seek and secure the felicity and welfare of the inhabitants of the Philippine Islands.

It is a matter of justice to acknowledge that Congress and the Commission have done all that they believed they could do to discharge this obligation of

honor. But for all the by no means common ability of the men commissioned to bring about the realization of that purpose and the indisputable good faith with which they have acted, the work is still far from complete. Unstable conditions at first, the fact that many Filipinos kept aloof from the government at the beginning, and a lack of knowledge of local conditions before and after that time, created a governmental organism in the Philippines which is good at times and at times defective. It is not surprising that it should be so, considering the few years which have transpired and the difference in the habitude of the people of the sovereign country and the people newly governed by them.

But the growing necessities of the inhabitants of the Philippines imperiously demand that the good that has been accomplished be maintained and progress, and that defects be corrected. The good compatriots of McKinley and of the authors of the Declaration of Independence and the American Constitution are surely disposed to prosecute their humanitarian work with perseverance and patriotism. No other significance can be placed upon the frequent laws enacted recognizing certain political and civil rights in the Filipinos and the visit of inspection at present being made by the Secretary of War, Hon. W. H. Taft, the Philippine Commission, and many American Congressmen.

It is for the purpose of aiding the American authorities as much as possible in their difficult task that we present this memorial. We place it in the hands of the Secretary of War of the United States, the popular Mr. Taft, who, as the first American governor of the Philippines, became aware of our needs and is not ignorant of our sentiments and aspirations; of the governor-general of the Philippine Islands, the Hon. Luke E. Wright, and of the American Congressmen who accompany them, in order that, through them, our voice may reach the Congress of the United States and the Philippine Commission.

Our memorial attempts to comprehend the various administrative questions of the Philippines from the most fundamental of our political constitution to the details of municipal government. We have not made a classification of these petitions, so that a part of them might be presented to the Congress and another to the Philippine Commission, according to their nature and the power to act upon them, because we believe that while on the one hand these questions are intimately related with one another, on the other hand the Commission is but a delegation of Congress.

Starting from the principle that the people of the United States cherish no other purpose toward us than that of making us a free and happy people, we head our petitions with the one that Congress declare its intention with relation to the future and definitive status of the Philippines. Although the preponderance of the declarations made up to the present time by eminent American leaders of different political parties settles the question of the future recognition of our national independence, we believe that it is necessary that Congress so formally and solemnly declare it. Such a declaration would silence the voice of the impatient and would encourage all to accomplish the common task with courage and with faith.

Along with this declaration should go the other that the recognition of the independence of the Philippine Islands on the part of the United States will be conditional upon no other thing other than proof of the capacity of the Filipinos efficiently to carry on the duties of self-government. If, as must be admitted, motives of a higher order have brought the free flag of the United States here, incapacity for self-government would be the only reason for failing to recognize it. In order to dispel doubt upon this matter, and with the firm belief of being able to dispel it by our deeds, the Filipino people are disposed to submit to a trial. But just as the fact could never be established in the courts of justice in default of known rules of evidence agreed to beforehand, the evidence of our capacity would lead to the endless discussion without the establishment of certain rules. The latter are those which refer to the increasing participation of the Filipinos in the administration and in the civil service. The other petitions, though not of so primary a character, are also necessary for the due maintenance of the life, liberty, and prosperity of the inhabitants of the islands, and will tend to assure the establishment of a stable and honest government.

Upon the grounds furnished by these considerations and trusting in the honor and justice of the North American people, we, the undersigned members of the Filipino community and residents of Cebu, submit to the Congress of the United States and to the Philippine Commission the petitions synthesized in the following propositions, which have been seriously discussed and unanimously ap-

proved by a great convention of Filipinos held at the Teatro Junquera in this city on the 6th instant, and have also been ratified by the representatives of the pueblos of this province.

PROPOSITIONS.

1. That Congress declare its intention with regard to the future and definite status of the Philippines in accordance with the guiding principles of the government of the sovereign country, the purposes of the American Government and people, repeatedly declared by their leading men, and with the aspiration of the Philippines that has been firmly and constantly maintained by the majority of its inhabitants.

A knowledge of the finality of a people by the people is essential to the life and tranquillity of that people; and when that people has just passed through an acute crisis in its political history and hears from all sides the most opposing opinions with regard to its definite status, that knowledge which was essential becomes urgent and imperative.

2. That whenever the question arises before the Congress of the United States, directly or indirectly, as to whether the legal status of the Filipino people should or should not be recognized, the argument should take into consideration only the happiness of the inhabitants of these islands and the demonstration that the Filipinos may have made of their capacity for self-government.

Respect for the American people rather than our own interests compels us to set down this proposition. Reading the official documents written with relation to the Philippines from McKinley to Roosevelt and from Merritt to Wright, no one dare maintain that the intentions of the people of the United States have not been and are not now highly honorable and altruistic. And where neither exploitation nor subjection can be invoked as reasons for the occupation of the Philippines, it must be agreed that for the first time in the history of the world a foreign people have governed another for the purpose of accomplishing the happiness of the latter.

But as nothing so impedes the accomplishment of that happiness and may endanger it more than ignorance of the duties of a good government or incapacity to maintain it, the reason for foreign government ceases to exist when the capacity of the people governed has been fully demonstrated.

3. This capacity for self-government and what constitutes the meaning and scope of such government should not be regulated precisely in accordance with a standard and criterion exclusively American, but rather from the viewpoint of Philippine interests.

If we start from the supposition that the welfare and happiness of the Filipinos are the only objective of the Americans in these islands, the government to be implanted here should be determined upon and managed only from the viewpoint of Filipino interests. From a like point of view, consequently, must the capacity to maintain such a government be judged.

Moreover, the Filipino people are a Christian and civilized people, having characteristics of their own, and, in a word, are a developed people, that to remold after a civilization lasting back over three-hundred years would be not only dangerous but useless to human progress.

4. That the policy heretofore followed of leaving the affairs of each municipality in the hands of the Filipinos and of giving them a certain participation in the management of more extensive interests with relation to and in the government of the Philippine Islands, shall not be understood or altered in the sense of a restriction or retrogression, but shall be amplified and extended.

The following paragraph of the instructions of President McKinley to the Commission is the best defense of the above proposition:

"That in all cases the municipal officers who administer the local affairs of the people are to be selected by the people, and that wherever officers of more extended jurisdiction are to be selected in any way natives of the islands are to be preferred, and if they can be found competent and willing to perform the duties they are to receive the offices in preference to any others. It will be necessary to fill some offices for the present with Americans, which, after a time, may well be filled by natives of the islands."

As a matter of fact we trust that we will be permitted to show that the positions given to Filipinos have been faithfully and properly discharged.

It is impossible for us to make this memorial so excessively long as to include detailed statistics, but it is sufficient to say that no justice of the supreme court, judge of first instance, provincial governor, nor provincial secretary, a Filipino has been dismissed from office up to the present time.

The percentage of removals of municipal officials, including as such justices of the peace, does not reach 5 per cent. As to municipal officials, properly speaking, they have assimilated the spirit of the municipal code and have applied its provisions with relative intelligence, in spite of the said code being new in the country and in spite also of the numerous amendments introduced up to the present time, which make difficult its application and management. Municipal elections have been defective in very few instances. What the importance of this demonstration of capacity is, is determined by the fact that even in the United States the progress of municipal government is slow and difficult. (Municipal Government, Conkling.)

The justice of the peace question is not as bad as would appear at first sight. Receiving no fixed salary, subject to all responsibility and obliged to pay even for office stationery out of his own pocket, the justice of the peace is an official having a burden rather than an office. It is for this reason that the persons qualified to discharge its duties most efficiently refuse to have anything to do with it. Add to all this the apparent confusion of the laws, the absolute lack of assistance to and inspection of these officials, and it will be seen whether the present condition of the justices of the peace, rather than a proof of the incapacity of the Filipino, is not a proof of their capacity, inasmuch as in spite of all the difficulties mentioned they perform the duties of the office with relative success. (Ninety-five per cent of the criminal cases at present tried by the courts of first instance have their origin in the justice of the peace courts. See act No. 194 of the Philippine Commission.)

5. That the civil service be reorganized upon bases more just, and that will make it more efficient. Decisions of the civil-service board, adverse to the claims of candidates for appointment, shall be appealable to the courts of justice, which shall, upon review of same, have power either to confirm, modify, or annul them. Salaries shall be based only upon the capacity and merits of each candidate, and never upon the fact of a knowledge or the lack of knowledge of the English language (except for positions of translator or interpreter) nor upon any other fact. Where conditions are equal Filipinos are to be preferred. It shall be the duty of the persons in charge of the civil service to adopt rules, which shall not be changed oftener than every two years, and to prepare and publish, as soon as possible, conditions regulating examinations and the subjects included in the examinations for each position, including that of under secretary, referred to in proposition 6. The rule shall be to fill positions by persons whose names are on the eligible list kept by the civil-service board, except in cases where a prior qualification recognized by the law is required, as, for example, in the case of lawyers for the office of judge, etc.

The necessity of our being sincere in our declarations to Congress and to the Commission will not permit us to conceal the dissatisfaction of the people, past and present, caused by the unjust manner in which it is believed the civil service operates. But as it is our purpose to present a petition and not a complaint, we will refrain from dwelling upon the latter and limit our efforts to strengthening the former.

An intelligent civil service is absolutely necessary to a good administration. But without a foundation of strict impartiality and justice in the examination and certification of eligibles, and in filling offices, it is utterly impossible to secure an efficient civil service. To insure these conditions is the purpose of the rules expressed in this proposition.

The claim that Filipinos should be preferred is based upon the following authorities, to which we respectfully call attention:

"That wherever officers of more extended jurisdiction are to be selected in any way, natives of the islands are to be preferred, and if they can be found competent and willing to perform the duties, they are to receive the offices in preference to any others."—McKinley.

"My idea is to build up a government in the Philippines of Filipinos aided by Americans."—Roosevelt.

"The Philippines for the Filipinos."—Taft.

6. The positions of under secretaries of departments will be created necessarily for the purpose of being held by Filipinos. Positions now held by Ameri-

cans will be continued to be held by them, unless they are properly separated from the service. No position now held by Americans, except that of the governor-general, secretaries of departments, the majority of the commissioner-ships, and of four justices of the supreme court, shall be filled by them when the present incumbents shall have left the service, unless there are no Filipinos eligible in the civil service. In case of vacancy in any of the offices designated for Americans who have Filipino assistants, the latter shall act in their place until the former are filled by new appointment, or, in case of temporary disability or absence, by their return to duty.

This petition is closely related to the one immediately preceding it, both of them insuring faithful adherence to the policy as announced by the authorities cited. So far as possible we have adopted a conservative attitude, so that the offices of greatest responsibility will continue under our plan in American hands. Where, in the case of a board, there is need for an American "quorum," this necessity has been respected. We admit the requirement of the American people that we show our capacity, but this we will never be able to do if we are not given the opportunity of proving it.

The positions of under secretaries are created for the purpose of familiarizing the Filipinos in the management of the affairs of the departments by conferring upon them an important part of the work. The only objection which could be alleged against this proposition is the expense which the new positions would occasion; but this objection disappears when it is considered that provisions having been made for a new official the duties of the existing one can be transferred to him and his office abolished.

7. The fundamental precepts of the government that are at present in force in the Philippines shall be compiled in the form of a code, to be entitled the "constitution of the Philippines." Incorporated with the said constitution will be the following, amended as may be necessary:

(a) That the rights and liberties of the Filipino people, recognized by the laws, shall not be annulled or restricted in the future without the consent of two-thirds of the councillors of the municipalities in the Philippines for the present and two-thirds of the members of the assembly when that body shall have been constituted.

Public convenience demands that the fundamental principles of the government of the Philippines be collected under one single law. These principles should be known by everyone, and one of the obstacles in the way of this knowledge is the form of the laws in general at present and their dispersion.

The American people, who are zealous of their rights, and were so prior to their separation from England, as was specially demonstrated by the cause which occasioned the war for independence, will surely approve of our being zealous of our own. Moreover, we believe that the Creator has endowed all men with certain inalienable rights, and that "governments founded solely to secure them" do but recognize, sanction, and respect what God placed in the very nature of man.

(b) That no other amendment of any sort shall in future be made to the said constitution until all of the provinces and municipalities in the archipelago shall have been duly advised thereof and shall have reported upon same to the Philippine government.

This clause endeavors to prevent those unnecessary and not well-considered amendments that though they do not affect the basis of the constitution may confuse its sense and make difficult its interpretation.

(c) That the good principles universally acknowledged that the powers of the government shall be separated and that the municipalities and provinces govern themselves in complete autonomy shall be established in their fullest extent.

It is an axiom that the powers of government must be separated if it is the desire that the government shall respond to the ends for which it was created. This is so elementary, so well established, that discussion is unnecessary.

But should some authority be required, we would cite those famous words of Madison:

"The accumulation of all powers—legislative, executive, and judiciary—in the same hands, whether of one, a few, or many, and whether hereditary, self-appointed, or elective, may justly be pronounced the very definition of tyranny." (The Federalist, Henry Holt & Co., New York, 1898, p. 319.)

It is just to acknowledge that in spite of the confusion of powers, legislative and executive, in the Philippines, and that the judiciary is in marked subordination to those powers, we are of the opinion that the members of the Commission, in which such powers are amalgamated, have not used them but for what they believed to be the best government of the country. But what happens is one question, while what should happen is another; and the fact that up to the present, on account of the patriotism of a few men, the results have not been deplorable is no reason for trampling upon a principle of government so well established by experience as the separation of powers. The mere idea of a future danger is in itself sufficient to justify this petition.

With relation to the autonomy of the provinces and municipalities we invite attention to the following precepts of President McKinley, which were ratified by Congress:

"In the distribution of powers among the governments organized by the Commission the presumption is always to be in favor of the smaller subdivision, so that all the powers which can properly be exercised by the municipal government shall be vested in that government, and all the powers of a more general character which can be exercised by the departmental government shall be vested in the government, and so that in the governmental system which is the result of the process of the central government of the islands, following the example of the distribution of the powers between the States and the National Government of the United States, shall have no direct administration except of matters of purely general concern, and shall have only such supervision and control over local governments as may be necessary to secure and enforce faithful and efficient administration by local officers."

Something has been done in this regard with relation to municipalities; but the latter have observed, not without misgivings, that some of their acknowledged powers are gradually being restricted. We respectfully submit that the policy of McKinley, expressed in the paragraph transcribed, solves the matter, not in the sense of restricting, but of extending such powers.

So far as the provinces are concerned, we also desire that the control exercised over them by certain central bureaus, like the insular treasury for example, cease absolutely. Hereafter, in proposition 21, we will dwell more at length on this point.

(d) That the offices of secretary of the different departments shall be covered by appointment of the governor-general by and with the advice and consent of the Commission. In the Commission the offices to be held by Filipinos shall not be less than one-third.

The principle that power should be coextensive with responsibility has led us to make this petition. The governor-general, who is responsible or should be responsible for the conduct of his secretaries, should have the power of appointing them. The petition relative to the organization of the Commission is a corollary of proposition 4.

(e) The making of laws by the assembly and the Commission when the former shall have been organized, and the manner of their enforcement, shall be subject to the same rules as those regulating the enactments of laws in the United States, the relations between the governor-general, the Commission, and the assembly being therefore identical with those between the President, Senate, and House of Representatives.

The Philippine legislature is provided for by the act of Congress of July 1, 1902. In speaking of its powers it restricts itself to saying that they shall be the same as those now had by the Commission. It does not establish the procedure for exercising them. We believe it is essential that the relations between the assembly, the Commission, and the governor-general be defined. In doing this no better model could be found than the Constitution of the United States. The wise, though somewhat complicated, equilibrium of the powers in the American Constitution is a safe guaranty against usurpation of one power by another and of the rights of the people by the powers.

(f) The laws regulating civil rights in the Philippines, which are now written in the form of codes, shall not be repealed, and in order to amend them the favorable report of the supreme court of the Philippine Islands shall be necessary.

Stability in civil legislation is a requisite of every good government. Frequent changes of same create confusion, constantly giving rise to questions

between citizens. Moreover, without a code commission, it is impossible to require that the laws enacted bear that close relationship which is necessary for some to complement the others. To cite a practical example, there is the Code of Civil Procedure (act 190) and the land registration act (No. 496). The relations between these two laws and the existing Civil Code are very incomplete.

(g) It shall be an invariable rule that the laws shall be publicly discussed before their enactment. Only in exceptional cases and when reasonable motives justify it may this requirement be done away with. In no case shall this exception rule with regard to laws that affect the life, liberty, or property of the inhabitants of the Philippines. In such cases the proposed laws shall be translated to all of the more important dialects and shall be placed at the disposal of the public thirty days before discussion at the office of the recorder to the commission in Manila, and at the office of the provincial secretary in each province.

No law shall go into effect until after its publication in the official language in the Official Gazette of the Philippine Islands; and laws that affect the life, liberty, and property of the inhabitants of the Philippines shall not go into force until sixty days at least after their publication in the Gazette.

The law being a general precept it should be generally known. Hence the requirement of promulgation advocated by all commentators. But owing to the special manner of legislating adopted by the commission and the multiple necessities which have required its legislative action, 95 per cent of the laws have been enacted without public discussion and have taken effect at a time when they were not sufficiently promulgated. The necessities mentioned excuse the action so far taken, considering that the legislative work of the past few years has been of a constructive character. But to continue with the present system would find no justification, specially as regards all those laws that affect the life, liberty, and property of the inhabitants of these islands.

(h) That in every criminal cause the actual and necessary expenses of the witnesses for the prosecution and the defense, when the defendants are poor, shall be paid by the government; and in all poor cases, in which the offense is prosecuted in the court of first instance, the accused shall be entitled to a lawyer provided by the state and paid by the government.

(i) That the sole fact that the judge ordering the arrest is, in general, competent to order such arrests, shall not be deemed a sufficient answer to a writ of habeas corpus.

(j) That no person under prosecution who has been convicted by the sentence of a court, appealing from such sentence, shall be condemned to a penalty greater than that imposed by the court a quo.

The grounds for our petition contained in the foregoing proposition are—

1. That it is unjust and of dangerous results to compel witnesses to pay their own expenses. While on some occasions witnesses will leave a place rather than comply with this harsh exaction of the law, on others, the wealthy defendants, supported by the demands of hunger, endanger the integrity of poor witnesses.

In 90 per cent of the criminal cases tried the defense is conducted by a lawyer appointed by the court. This will give an idea of the gratuitous work which lawyers are obliged to perform. From another point of view, this system is entirely inadequate where lawyers are wanting.

2. That the person under arrest is so by order of a judge of general jurisdiction which is sufficient is not an answer that is conclusive; but neither is the contrary theory conclusive in law. In the second sense the law would annul its own results.

3. The cases of appellants condemned to a penalty greater than that appealed from by the appellate courts must cease. They are not only a menace to appellants in good faith, but, in our judgment, are incongruous with the constitutional provision regarding jeopardy.

(k) That the powers of the Philippine government be extended so as to have complete control over customs and coastwise shipping legislation.

Our principles in the matter of legislative jurisdiction carry us to the conclusion that to each subdivision should be given the greatest possible extent of power. There is another reason for this proposition, and that is that coastwise

shipping and customs are in relation with local conditions, a knowledge of which can not be familiar to Congress 7,000 miles away from this country.

(1) That no franchise granted shall be perpetual under any circumstances. They shall at any time be revocable upon proper indemnification.

No good but rather a great evil can be deduced from the opposite theory. A perpetual franchise is equivalent to a perpetual vinculum. Such a renunciation of rights can only be prejudicial to a people whose definitive political status is still unknown.

8. That the establishment of the Philippine assembly is imperative and will not be delayed for any reason except a state of war or general revolution in the country, officially declared.

Upon no other point do all agree more than on the establishment of the assembly. That it is important is shown by the action of Congress announcing its concession immediately after the necessity for military government had disappeared. Section 7 of the Philippines act exacts the requirement *sine qua non* of peace, and that is what mostly interests the Filipinos. But we believe that, so far as the effect of the law goes, peace can not be defined, except as a condition that excludes war or revolution. To make the concept of peace, in its relation with the establishment of the assembly, extensive enough to exclude the slightest disorder would be practically to make its establishment impossible.

In all parts of the world there are, upon a greater or smaller scale, certain disorders directed toward robbery or any other end not political, and yet it has not occurred to any one to say, because of that fact, that peace does not exist.

As regards the Philippines, brigandage has no political ideas and is an isolated evil confined to a few provinces. It is one of the *secuela* of the past wars. It still has life, because the economic conditions of the country are every day worse and because of the indefensive state of the pueblos.

9. The judiciary shall be reorganized as a permanent body. Judges of first instance in each district shall be the only ones to try cases within their respective districts unless disqualified by law. In every instance the power to direct the transfer of a judge from one province to another shall be vested in the supreme court of the Philippines.

No judge of first instance shall hold sessions outside his district oftener than once a year, and no judge shall be transferred permanently to another district without his consent. The position of judge at large shall be abolished and the judges now holding such office shall be assigned to the districts which require more than one judge.

The reorganization of the justice of the peace courts is recommended in accordance with the following plan: The grouping into districts of the present courts; a two-year term of office; the payment of fixed salaries, costs to accrue to the government. In order to be appointed justice of the peace in a provincial capital, to be a lawyer shall constitute the necessary qualification, and the jurisdiction of such justices shall be extended to the trial of all civil cases, whatever be the subject of the litigation or the amount involved, provided it does not exceed ₱600.

The judge at large for the eleventh judicial district (Cebu, Oriental Negros and Bohol) should be appointed as district judge, to aid the present one in the performance of his official duties within said district, the work to be so divided between the two judges as to make the sessions of the court of Cebu permanent.

The right of trial with the assistance of assessors shall be extended to the provinces.

In dealing succinctly with this proposition, as with others, we will begin our demonstration with the words of Montesquieu: "There is no liberty if the judiciary is not separated from the legislative and the executive power."

True, for while the legislative enacts the laws and the executive enforces them, the judicial department alone has the power to declare the constitutionality of a law. This explains the necessity for keeping the judicial department separate from the legislative.

With respect to the executive, the reasons are of even greater weight, and we may say with Kent (Commentaries, Vol. I, p. 920) that personal security, as well as that of private property, rests entirely upon the judgment, stability, and integrity of the courts.

In the present state of affairs judicial independence and immobility are especially indispensable. The government can rest assured that the present situation is maintained and will be maintained by the symbolic sword of the tribunals of justice rather than by all the guns and cannon at its disposal.

It will cause no surprise, after the expression of these ideas, that we should ask for the abolishment of the positions of judge at large. The system of special judges can never be satisfactory. Though quite as just and as impartial as the district judge, those sent by the government in given cases, be they regular district judges or judges at large, are clearly seldom so considered.

We have no objection to stating generally that in all cases, so far as we know, the decisions have responded solely to the dictates of absolute justice. But no one can prevent the comment, mistaken, though natural, that the judge has instructions from the government.

The reorganization of the justice of the peace courts should be undertaken immediately and with determination. To what we have said above we will add that the best of inclinations and good faith on the part of the men living in the pueblos are frustrated by the present defective system.

But even in the face of this evil, for it is unquestionably an evil, there are some who oppose the reform, fearing the additional expense. For our part we believe these fears unfounded. By grouping the municipalities so as to form judicial districts the salary of the justice of the peace can be distributed among the different municipalities over which his jurisdiction extends. With greater efficiency in the service the questions will be taken into the court, thus increasing its revenues.

In the matter of justices of provincial capitals two things have been taken into consideration: (a) That there litigation is generally of some importance; (b) that the court of first instance should be relieved of certain litigation of no great importance.

Permanent sessions of the court at Cebu are asked for because of the large number of cases filed in that court. During the Spanish régime Cebu was divided into two judicial districts, Cebu and Barill. To-day not only is there no judge at Barill, but the district is extended to include Oriental Negros and Bohol, a district of over a million inhabitants. The cases tried by the court of Cebu are more numerous now than they were under the former régime.

If the judge at large, with residence in Cebu, who is now assigned to other courts, but not to the court of first instance of Cebu, should establish his residence in Cebu as judge of this court or district the work could be carried on in a more adequate manner and more in conformity with the intention of the Commission when it enacted the law consolidating Oriental Negros and Cebu and allowing a judge at large for this court.

10. The sources of revepue from taxation will be carefully looked into. Though the land tax is just and equitable, per se, its practical results at present are objectionable and unjust. Therefore a study will be made of other sources of taxation more in conformity with the needs and present condition of the country. There will be a reduction of the internal-revenue tax on alcohol and tobacco. The percentage corresponding to the provinces and municipalities will be increased 20 per cent over the present proportion.

We have given close thought to this question because we are not unaware that no government can be maintained without public funds, and without taxes there can be no public funds. But such is the clamoring on all sides concerning the land tax that we venture to lay the situation before Congress and the Commission.

We ask for the reduction of certain internal-revenue schedules and an increase in the percentage of the internal revenue corresponding to the municipalities, for if a request for such reduction has been persistently made by the provinces affected by the tax, it is because the present percentage is insufficient to cover the needs of the municipalities. It will be easier to grant the request made in this proposition in view of the request made in the following proposition.

11. That the economy introduced in the several branches of the Insular Government be followed out in an efficient manner. To that end we ask that the expense now incurred in the prosecution of the following works and maintenance of the following services be done away with: The Benguet road, the court of customs appeals, the bureau of the insular purchasing agent, the coast-guard service, the court of land registration, and the positions of register of deeds. We also ask that the various inspectors that it is the custom to send

from Manila to the provinces from the different departments be reduced in number, so that a single Inspector may perform the duties of inspection for several bureaus.

With the country in poverty, its commerce decadent, and its agriculture and industries wanting, a frugal administration becomes imperative.

Consequently such services as are not absolutely necessary at present should be abolished. The Government has adopted this same attitude, and we believe it unnecessary to insist that not a single centavo more should be spent on the Benguet road and on the bureau of the insular purchasing agent.

Nor are the coast-guard service, the court of land registration, and the positions of registers, as they exist at present, of great necessity. The triple service that the coast-guard vessels claim to perform, namely, the guarding of the coasts, the transportation of officials, and the carrying of the mails, can be transferred to the vessels of the naval station and to merchant steamers.

The court of land registration will doubtless be a most important tribunal later on in this country, where 95 per cent of the land titles are defective. But at present the expenses that have to be disbursed on its account are not in keeping with the efficiency of its services. We believe the judges of the court in question can be retained in Manila as judges of first instance with special jurisdiction over land titles, and in the provinces applications for registration can be acted upon by judges of first instance.

As to positions of registers, it is sufficient to point out that the province of Cebu is not of those ordinarily having a smaller number of applications, and yet the total of fees collected by the province last year in connection with the register is not sufficient to pay the salary of the register of deeds for one month. The duties of this official could properly be assigned to the clerk of the court of first instance, to the provincial fiscal, or to the clerk of the justice of the peace of the capital when the justice of the peace courts are reorganized.

12. That no new tax be established nor the rate of existing taxes be increased without the consent of the majority of the provinces, and that the appropriation bill of the insular government be enacted after its discussion in the provinces, to which copies of the proposed law shall be sent beforehand.

When President McKinley said that he would endeavor to make the American flag "here (in the Philippines) as there (in America) the true symbol of liberty," he was only anticipating the results of an altruistic and humanitarian system whereby one people, the Filipino, should be governed by another and a foreign people for the benefit and liberty of the former. From this point of view, we believe that England did not look upon the problem of the American colonies with more of humanitarianism when America was her colony than does America desire to do in the problem of the occupation of the Philippines.

But in spite of this difference in relations, favorable to the Philippines, England seldom failed to recognize among the rights of the American colony the fundamental right of English liberty, namely, that taxes are a free gift of the people.

When the American people preferred to engage in a war, which resulted in their independence, rather than pay a tax of a few paltry pennies, imposed upon each pound of tea without the consent of the colony, it was only because the exaction of the mother country deeply affected the liberties of the people of the colony. Perhaps it is owing to that experience that in the United States bills for taxation can originate only in the House of Representatives.

In view of these considerations, we believe it is reasonable to ask that the present system, allowing the imposition of taxes in the Philippines without the consent of the Filipino people, be abolished.

With reference to appropriations, it seems to us clearly equitable that the money of the people be spent at least with their knowledge.

13. A proper solution should be sought for the agricultural problem arising from the lack of carabaos and the evident poverty of the country due to past calamities. We suggest that the Government guarantee the interest on the first issue of shares of agricultural banks; that means be sought for bringing additional carabaos to the Philippines, or that other methods be studied and generally adopted whereby said carabaos will not be needed.

The calamities that have scourged these islands are known to all. While rinderpest has carried off nearly all the carabaos, the locust has destroyed the few plantations of our fields. Production has been considerably reduced year

by year, and penury has been increasing. Without money and without carabaos, the agriculturists set their eyes upon the establishment of agricultural banks as a means of salvation. But neither have private parties been willing nor has the Government been able to establish them.

We understand that the Government can not establish them, but we believe it can cause them to be established. Legislation guaranteeing the interest on the first issue of shares of agricultural banks will probably bring about the desired result.

If carabaos can be brought in and means of immunizing them with certainty can be found, it will be preferable to import these animals, but if this is not practicable, it is recommended that farm machinery and implements be allowed free entry in the Philippines.

14. The question of the friar estates will be settled by the Government on an equitable basis in its contention with those now in possession of the land. The Government will not purchase other estates not already bought up.

Although not so general a problem, yet strictly an agrarian one in the history of the Philippines, is that of the so-called friar estates. Rizzal has painted this deplorable past in realistic characters in some of his books, and to those books we refer those who desire to know how these estates were formed.

The Government, comprehending the grave difficulty of this problem, decided to purchase, and did purchase, the greater part of the estates. But is the problem solved? We fear not. What was attempted to obviate we believe has not been obviated, and the conflict which must have arisen between Filipinos and friars may arise, with doubly fatal results, between the Government and the Filipinos.

Therefore we ask that this matter be decided without impatience and with a judgment based on the greatest possible equity. The sense in which this equity should be understood is indicated by the precedent set by the Government when it attempted to remove these questions from the jurisdiction of the courts of justice.

All of a terrible past is revived when the agrarian question, which we might term the historic question of the Philippines, is brought up; a question that more than once in the history of the world has poisoned the conscience of the masses. The provinces of Cavite, La Laguna, and Cebu will always look upon it as a latent force ready to make manifest itself at any moment against public order.

The province of Cebu in particular, remembering, not without disquietude, that the anti-Spanish revolution here had its origin in the agrarian question as an immediate cause, fears for its future, and therefore makes its appeal to the authorities, laying before them a clear statement of the situation.

15. We ask for the abolition of the Dingley tariff.

The Dingley tariff has been so much talked of and discussed that were it treated as a political question, there would not be wanting men who would have baptized it with the name of agitation. But its character has continued to be well defined from the moment the prominent personalities of the sovereign country intervened in the matter, inclining to the side of the true interests of the Philippines. We have named our representatives in Manila for the discussion of this question, and we believe it our duty to leave it in their hands.

In substance, what we ask is that the Dingley tariff be abolished, as it is burdensome to Philippine products, which, under the present circumstances, find no other market of their own except the United States.

16. That when the supreme court of the Philippine Islands decides, if it does decide, that the right of State ownership of land is imprescriptible, the administration enact a law confirming the bona fide titles of possession of private persons according to the judgment of the court of land registration based on common law.

It is our opinion that the matter enunciated in this proposition is one of the most vital questions that can be brought before the Administration, and is one of those things which unquestionably characterizes the policy of a government.

The question at issue is whether prescription can be applied to the government or not. While the court of land registration maintains that it can, the supreme court of the Philippine Islands has decided indirectly, in a case coming under its jurisdiction (*Valenton v. Murciano*, R. 1413), that prescription is not applicable to the government. At present the question is presented directly

before the supreme court of the Philippine Islands in the case of Inchausti & Co., a case originating in the court of land registration.

Having, as we do, the fullest confidence in the attitude and wisdom of the justices of the supreme court, and as the case is being heard before that tribunal, this petition may seem inopportune. It is not so, however, for two reasons: (a) Because we are not undertaking to ask the legislative power to influence the decision of the supreme court; and (b) because there are reasons for fearing that the decision may be adverse to the private parties.

What we ask is that the legislative power intervene in the matter when the supreme court decides that the rights of the State are imprescriptible. If this is not done here where titles are in large part defective, the result will be that the 95 per cent of the present landholders, whose lands have been occupied for years by them and for centuries by their ancestors, will cease to be the lawful owners, the lands all passing over to the Government.

17. That the General Government grant pardons generally to those convicted of brigandage as the cessation of that class of public disorder in the different provinces becomes complete. This pardon may, at the discretion of the governor-general, exclude leaders or other persons who, though not leaders, have committed the crime in a manner or under circumstances extraordinarily felonious.

Pardon will be granted to all political prisoners now serving sentence.

The exercise of the pardoning power by the chief executive authority in proper cases is a good measure of public interest. The motives are very powerful in cases of persons convicted of brigandage. Without passing upon the law of brigandage—which we would of course not accept in a condition of absolute order—we tolerate it only as a legislative measure of a special character and for special conditions, such as that which immediately followed the revolution.

The Government has doubtless endeavored to establish peace and to obviate new disturbances, and its attitude in this respect, though somewhat harsh, was justifiable. But it is logical that when the causes have ceased the effects should likewise cease, and we therefore ask that pardons be generally granted wherever tranquillity has been completely restored.

With reference to political convicts, there is still more reason for their pardon. The man who, through motives of an entirely personal and perverse nature, will steal, or, taking up a dagger, will stab another to death, can never be compared with that political criminal, who, if he erred, did so through suggestions which, though illegal, were of a character neither so vulgar nor so criminal. To this fact is due the customary exclusion of said prisoners in extradition treaties.

18. Reorganization of the constabulary on such a basis as to make it a popular institution commanded by the governor-general as chief and by the provincial governors as subchiefs. It will have the triple character of insular, provincial, and municipal, and in the pueblos where stationed it will also enforce compliance with municipal ordinances, taking the place in all respects of the present municipal police, which organization will be abolished. The command of the constabulary in each municipality will belong to the municipal president. Such of the present corps inspectors as have performed their duties with efficiency will continue in the performance of the same under the orders, in each province, of the provincial governor and under the supreme command of the governor-general. The men for the corps will be carefully selected, and no person will be admitted without a favorable report from the municipal council of his place of birth or residence. They shall not have the power to make arrests without previous judicial order, except in extreme cases; and in case of making arrests without orders, they shall turn over the prisoners to the proper court within twenty-four hours after the arrest when made in the pueblo, or within twenty-four hours after arrival in case the arrest was made outside the inhabited center. A statement shall be made to the provincial fiscal of all cases of arrest, explaining under oath the reasons for the same. False testimony in these cases shall constitute the crime of perjury and will be punished by a fine not exceeding ₱1,000 or imprisonment not to exceed one year, or both. In all cases where the members of the corps commit the infractions specified in sections 2 and 3 of act No. 619 of the Philippine Commission, they shall be punished as sanctioned in said law, regardless of the plea that the offense was committed in order to obtain a confession, declaration, or information.

We come to a delicate subject—that of the reorganization of the constabulary. Without accepting or rejecting the truth of the complaints presented,

the fact remains that a large number has been filed. But it is here in Cebu that the number is less. For that reason we believe we are at greater liberty to make the request in such a manner that our petition will not savor of complaint, vindictiveness, or resentment.

Our plan contemplates: (a) That the constabulary be divested of everything of a military or semimilitary character. Under a civil régime, and that civil régime American, we can not comprehend the maintenance of institutions that are not popular. In the Philippines this should be still more strict, now that the people, without the right to have arms in their possession, are exposed to acts of injustice on the part of armed organizations, acts that in the majority of cases are irreparable.

(b) That the responsibility for good order devolve primarily upon the chief executive authority of the Philippine Islands, and secondarily upon the chief executives of the provinces. It is an anomaly for the chief executive of a province not to have due authority to control public order within his province, when, to use the term "executive authority" is tantamount to saying authority whose first duty is the maintenance of order. The present system is neither satisfactory nor productive of good results. Talk with a good governor who works actively and energetically, and who is unfortunate enough to have a constabulary inspector in his province who does not cooperate as he should, and he will censure the law. Ask any active and intelligent inspector to go alone through mountains infested with brigands, without any aid from the governor, and hence without the aid of the municipalities, and he will answer you with a harsh gesture accompanied by an oath.

The conclusion is that in the matter of public order there should be a single real chief, responsible and efficient, in a province, and he should be the chief provincial executive.

19. That discussion as to the official language be postponed until the Philippine assembly is established. For the present, the status quo of Spanish as the official language will be maintained.

This matter has been so fully discussed that it is unnecessary to present further reasons.

20. That forestry taxes be abolished, and the cutting of timber, though regulated under certain conditions in order to obviate the improper use of our forests, be free; or that taxes be imposed upon imported woods of all kinds in the proportion of 1.25 to 1 of the schedule for Philippine woods. That the exportation of Philippine woods be duty free.

The products of the country are entitled to the protection of the government in power. In our country the singular phenomenon is noted that foreign woods, inferior in quality, supplant our own woods in the local market. This, in our opinion, is due only to the lack of legislative protection. While our woods are made to suffer from taxation, foreign woods enter to compete with ours free and unburdened.

21. That the provincial organization be modified by grouping the various provinces into departmental governments, directed by a governor who will reside in the capital of the department, and by subgovernors in the subdistricts. In case the provincial board remains constituted the number of its members will be increased, the additional members being the provincial fiscal of the district or of the capital of the district or department, the municipal president of the capital of the district, and a representative elected by each subdistrict.

Whether this reform is adopted or not, we suggest that a law be immediately enacted making the provincial governors in all respects the representatives of the central executive power in the provinces, and they will consequently have the right of inspection of all the services constituted in the provinces, and may at any time request of any office such information as they may desire, which they may also submit, whenever deemed advisable, to the governor-general.

The provincial governor will have the veto power over the resolutions of the provincial board, which, however, will become law upon a second resolution being duly adopted by the board and signed by all the members thereof except the governor.

The provincial governor will have the right to pardon in cases of crimes, misdemeanors, or offenses of any kind when the penalty imposed by the court does not exceed two years' imprisonment or a fine of \$100 in gold.

A second reelection for the office of provincial governor should be prohibited.

That the intervention of the insular treasury in affairs of the provincial government should be limited to what is strictly necessary for the maintenance of proper morality and honesty on the part of those intrusted with the custody of funds. The approval of the insular treasurer will not be indispensable to the validity and effectiveness of the appointments of employees of any class made by the provincial board.

That the provinces be given an opportunity to discuss the laws affecting the organization and attributes of the provinces and municipalities.

That the organization of the provinces should be changed is a thing in which the majority of opinions concur. It is in the question of form where they differ. We believe the form we propose is suited to our conditions.

In the present system the provinces have no interrelation. We ask for the grouping in departments, in order to encourage the union and solidarity of the provinces one with the other. Moreover, the law when applied to large provinces is inadequate, as is also the case with small provinces, which with difficulty maintain an unnecessary number of employees that are needed in the larger ones.

The petition that the provincial fiscal and the municipal president of the capital be members of the provincial board is made to satisfy the just desire, manifested by nearly all the provinces, that the Filipinos have larger representation in the provinces. These officials have been selected because they are the most prominent and because, being salaried officials and not entitled to receive additional compensation, the reform would be no burden upon the provincial treasury. For the rest, as to the fiscal being a member of the board, it is no innovation, it already being the case in the Moro Province. (Act 387, sec. 12.)

After the experience had with respect to Filipino governors—and they nearly all are Filipinos—showing that they have not been disloyal nor have made use of their offices for purposes of oppression, the hour has arrived when those officials should enjoy those prerogatives they generally exercise in other countries. The powers referred to are the veto power and the pardoning power. The municipal president has the right to veto. (Municipal Code, sec. 18, par. (k) .) The municipal board of Manila has the pardoning power. (Act 183, sec. 17.) We consider it reasonable, in view of these precedents, to ask that said powers be conferred upon the provincial governor.

The tutelage exercised by the insular treasury over the provinces places them in a class inferior to that of the municipalities, especially in respect to personnel. As an example, we may cite the case that 50 centavos can not be paid to a laborer appointed by the provincial board to repair a breach in a road unless the insular treasury has first approved the appointment of the laborer. (Act 1072, sec. 6.)

22. That it be maintained as a policy that the municipalities as at present constituted be not consolidated so long as such measure is not demanded by an absolutely imperative necessity.

Municipal treasuries will be organized in districts. The treasurers will not be under the civil service.

The theory of creating extensive municipalities is absolutely absurd in the Philippines. Lacking rapid means of communication and transportation, generally without telephone or telegraph, and often having rivers without bridges, the pueblos annexed are exposed to all the disadvantages and dangers without receiving in return any kind of compensation or advantage as a result of the consolidation. It is now a general belief that consolidation is prejudicial alike to the pueblo annexed and to the pueblo with which it is consolidated, and it creates in both hostile feelings which should not exist.

The only valid reason for supporting the policy of consolidation of the municipalities already constituted is that of economy in cases where the pueblos under consideration can hardly meet their own expenses. But this question would be settled in part by the establishment of district treasuries. These treasuries would be under the direction of the provincial boards, which would be vested with the authority to change the districts by extending or reducing them and to make transfers of the personnel whenever necessary.

The municipal or district treasurers should not belong to the classified service. Generally, capable men of the pueblos refuse to undergo the examination and depend upon the civil service, while in other cases they can not take the examination because of their age.

23. That legislation be enacted protecting the Filipino laborer against the accidents of labor, and that the existing provisions for the prevention of Chinese and foreign competition be continued in force.

Filipino laborers are no exception to the established rule all over the world, namely, that laborers need the protection of the Government. Perhaps they need it even more in the Philippines owing to the lack of labor organizations and the meager wages paid. It is true that wages have increased since the coming of the Americans, but as an offset to that the cost of living is much greater.

For social, moral, and political reasons, the exclusion of foreign competition must be unalterably maintained.

24. Until the Philippine assembly is established, heads of offices of the same class, insular and provincial, will meet in convention at least once a year.

The interchange of ideas brought out by this convention will be productive of inestimable advantages, especially now when everything that is done is new and to a certain extent partakes of the nature of an experiment.

These, honorable gentlemen, are the sentiments and ideas of the people of the province of Cebu, and, we believe, those of the remainder of the Filipino people as well. In order to keep this memorial from assuming excessive proportions, the ideas have, of necessity, been briefly noted. Nor do you need more in order to fulfill your sacred duties to the people placed under your protection and aid, and we trust that you will do us the justice to recognize that in these petitions we have tried to take our stand on the side of reason, and if you cause reason to triumph be assured that an entire people will bless you.

Respectfully submitted.

(There follow numerous signatures of presidents, councillors, etc., of the province of Cebu.)

CEBU, CEBU, P. I., *August 15, 1905.*

NOTE.—Handed to the Hon. W. H. Taft, Secretary of War, August 22, 1905.

REPORT OF THE GOVERNOR OF THE PROVINCE OF ILOCOS NORTE.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF ILOCOS NORTE.

Laoag, July 14, 1906.

SIR: I have the honor to submit the following report for the fiscal year beginning July 1, 1905, and ending June 30, 1906, in compliance with the provisions of act No. 1044 of the Philippine Commission.

During the said fiscal year the most complete tranquillity and good order have prevailed in the province of Ilocos Norte, which has enjoyed general prosperity owing to the fact that its inhabitants, following their ordinary pursuits and being constantly desirous of an advancing prosperity in the different spheres of life, have directed all their efforts toward the achievement of their own welfare and of the noble purposes of the Government, so that the operation and administration of the latter have in no way been interrupted.

As was but natural, however, there have been some transgressions of the laws, but they were neither numerous nor of a political character, being only common crimes and misdemeanors that have been tried and punished by the proper courts. As a matter of fact, only 184 criminal cases were prosecuted in the court of first instance of this province, the records in this office showing that 110 of these have been disposed of.

The excellent services of the constabulary and municipal police, coupled with the special efforts of the provincial and municipal governments, have been sufficiently efficient to maintain order.

The provincial board held 99 sessions, in which it passed 1,279 resolutions, all in favor of the good administration of the provincial government.

Pursuant to some of the said resolutions, the provincial government in carrying out its beneficent ends appropriated money for the repair of roads and bridges. As a result of this measure both agriculture and commerce were benefited. The permission granted to the inhabitants who are not provided with modern means of transportation to use carts of the old style during certain months of the year, and the fact that traders from Ilocos Sur have been

thereby enabled to do business in this province and to purchase its products, have also favored both agriculture and commerce.

Although there is a provincial school building in this province the provincial government, knowing that its capacity is not sufficient to contain all of the pupils, appropriated the sum of ₱800 to pay for the lease of a building, where the sessions of the high school will be held this year. Classes in arts and trades will also be taught in said building, one part of which will contain the dormitory school, for, though the provincial government had planned to erect another provincial school building in addition to the existing one, it has thought that there would not be enough time to finish it before the opening of the school term, and for that reason it has preferred to adopt the resolution authorizing the lease of the building above mentioned.

The board has also appropriated certain sums of money from the school funds for the erection of school buildings in the different municipalities of the province, its purpose being to encourage education.

The provincial government has initiated a movement and made recommendations to the ten municipalities of the province with a view of having the latter bind themselves, as they have bound themselves, to contribute either from their municipal revenue or by voluntary subscriptions, money and materials for the purpose of acquiring a piece of land and constructing buildings for the schools of arts and trades and of agriculture, so that the insular government may be induced to assist us in this plan.

As a result of this movement the ten municipalities of the province have obligated themselves by a formal written contract to contribute the following amounts:

Laoag -----	₱2,000.00	Piddig-----	₱424.96
Batac -----	1,040.78	Dingras -----	1,016.69
Paoay -----	562.09	Bacarra -----	1,060.89
Badoc -----	574.97	Pasuquin -----	299.29
San Miguel-----	422.75	Bangul -----	492.37

The provincial government has likewise received from various residents of Batac a donation of 7 hectares of land for another agricultural school in the said municipality, and the municipalities of Dingras and Bacarra have also demonstrated their desire to donate lands for a like purpose.

A great deal of work has been accomplished in order to complete the new assessment of real property by municipal boards of tax assessors by May 31, in accordance with the law, but it has not been possible entirely to complete it on account of the immense number of small parcels into which the land is divided and the vast number of small property owners. However, 87,401 parcels have been appraised by the municipal boards of tax assessors throughout the province, and it is estimated that there still remain about 80,000 to assess.

The provincial government has taken great interest in having the poor inhabitants avail themselves of the benefits of Chapter I of act No. 926, and as a result thereof a large number of them have filed applications for homestead entries on state lands.

Great improvements have been made to the provincial government building, some of its departments having been placed in a condition to be used for offices, along with other no less important and necessary work.

The provincial jail is in charge of a warden and two guards, and under the inspection of the provincial governor; the administration was so efficient during the last fiscal year that there was not a single jail break nor did a single prisoner die. Prisoners serving their sentences in the said jail have upon occasion been used on provincial works, and the result of their labor in the jail shops has contributed somewhat to the revenues of the provincial treasury.

AGRICULTURE.

The inhabitants of the province knowing the favorable acceptance in foreign markets of the maguey fiber, and the soil being suitable for its cultivation the number of plants has been yearly increasing, so that it can be stated that during the last fiscal year more than quadruple the number were planted of any year before. There are some 7,000,000 of said plants set out.

^a This amount has been invested in the purchase of a piece of land some 15 or 16 hectares in area.

A good deal of rice has been raised, of which a considerable quantity was shipped to Manila, although such shipments soon ceased on account of low prices and of the cost of transportation to the port of Currimao. Some 900,000 cavans were harvested.

A good crop of tobacco has been harvested in spite of the fact that two-fifths were destroyed by the early rains of last May. The crop amounted to between 15,000 and 16,000 quintals.

There was also quite a good harvest of crops of minor importance, such as corn, sugar cane, red beans, sweet potatoes, and cotton.

There would undoubtedly have been a larger agricultural yield had there been sufficient cattle, the mortality of which in this province is a matter of universal knowledge.

Moreover, the lack of modern agricultural implements and the financial stringency felt throughout the province, particularly by the farmers on account of low prices for all agricultural products, are also causes of the fact that agriculture did not reach its highest development.

COMMERCE.

The objects of commerce in this province are constituted by its agricultural products, a few of its industrial outputs, horses, and cattle, as well as foreign articles, which have a large consumption, particularly textiles, hats, hardware, porcelain and glass, petroleum, and others of secondary importance, to say nothing of groceries and beverages.

The value of the products shipped to other provinces of the archipelago and exported abroad, such as maguey, tobacco, rice, red beans, garlic, onions, and horses, scarcely exceeded the value of articles imported into the province. However, it is expected that within a few years, when the maguey recently planted shall be in a condition to work, the mercantile aspect of the province, now very hopeful, will have entirely changed.

The exportation of tobacco amounted to 14,000 quintals, at the rate of ₱4.50 per quintal, and that of maguey with 5,000 piculs, at the rate of ₱10 per picul.

ECONOMIC.

The relative abundance of the rice crop and of other alimentary products has resulted in relative prosperity to the province and the disappearance of hunger, although, as has already been stated, money was tight on account of low prices for rice, tobacco, and maguey, the three principal objects of trade in this province and the sources of its wealth.

FINANCIAL.

The condition of the provincial treasury has been sufficiently prosperous so that the provincial government has been easily able to be self-supporting during the past fiscal year. No legal means of seeing to it that the expenses of the province were as economic, just, and legal as possible have been overlooked. In this connection there has been a reduction in the number of employees and in their salaries and also as regards provincial officials.

The figures before me show the following results:^a

It should be added that during the fiscal year the provincial government had to pay the bureau of justice for the fees due the clerk of the court of first instance of this province from January, 1902, to June, 1905, the sum of ₱7,536.

At the end of the fiscal year the 10 municipalities of the province, after paying all expenses, had the following amounts on hand, which show their financial condition:

Of the first class, Laoag-----	₱21,504.42
Of the second class:	
Dingras -----	17,775.39
Bacarra -----	3,842.62
Batac -----	2,268.59

^a Financial statement is on file in the War Department.

Of the third class:

Bangui	3,703. 09
Paoay	3,894. 14
Badoc	2,925. 19

Of the fourth class:

San Miguel	2,533. 26
Piddig	1,992. 45
Pasquin	1,845. 77

Speaking of municipal school funds, their scarcity is becoming daily more noticeable, no doubt owing to the increasing necessities of education. The sum of ₱14,863.23 has been transferred from the general funds of the municipalities to the school funds for the purpose of improving the situation.

EDUCATION.

Education is progressing in a wonderful manner. The young people of both sexes are so eager for it and have advanced so rapidly that it can be assured that there are few children even in the most remote parts of the municipalities who do not speak English. So great is the love of study that the schoolhouses which have been erected in the pueblos and barrios are inadequate.

In the high school classes are taught up to the seventh grade of the present system of teaching and are attended by numerous pupils. For that reason, as has already been stated, it became necessary to rent a large, capacious building for those students who have passed through the municipal schools and desire to continue their studies in higher grades. The schoolhouse constructed by the province some years ago is too small for the purpose, notwithstanding the fact that many students who passed their examinations in primary grades are unable to enter the high school on account of the expense of living in the provincial capital.

This fact has been a powerful motive in influencing the provincial government to attempt the establishment of agricultural schools or other secondary schools in some of the municipalities of the province. Its efforts have resulted in the acquisition of a piece of land 7 hectares in area at Batac, donated by the inhabitants for the above-mentioned purpose. The inhabitants of Dingras and Bacarra have also promised to make a like donation in order that the young people who are unable to continue their studies in the provincial capital may have an opportunity to do so in their home town. This policy would undoubtedly encourage and extend education.

In another paragraph mention has been made of the acquisition of a piece of land some 16 or 17 hectares in area, situate in the provincial capital, for the purpose of erecting thereon the necessary buildings for a school of arts and trades and of an agricultural school, there being many young people prepared to enter the said schools who are very anxious to begin their studies in order to learn some trade or profession.

The total number of municipal schools in the province is as follows:

Municipality.	Number of inhabitants.	Central.	Barrio.
Laoag	45,334	5	12
Bacarra	24,051	1	9
Batac	23,595	8	17
Dingras	23,041	1	85
Badoc	18,085	1	10
Paoay	12,743	1	5
Bangui	11,185	1	5
Piddig	9,634	1	6
San Miguel	9,584	2	5
Pasquin	6,785	2	4

The number of children matriculated during the said fiscal year was 18,768 and the average attendance 9,905.

The number of American school-teachers of both sexes was 24, but some of them have taught only a few months or weeks during the said fiscal year.

The number of insular Filipino teachers of both sexes was 14.

The number of municipal teachers of both sexes was 108.

INDUSTRIES.

The industries of this province are about the same as formerly: Rice hulling by the old process of a pestle and mortar either of wood or stone. Preparatory work has commenced for the installation in this city of a rice-hulling machine owned, it is said, by a Chinese company.

The bundling of leaf tobacco into bundles of 100 leaves each; working maguey—that is to say, the extraction of its fiber by the Prieto system, which is able to turn out from 16 to 20 piculs a day. This machine is in operation in the provincial capital and is owned by a Spanish company. The manufacture of sailboats, mats, textiles, curtains, ornamental trays and flower holders made of the fruit of the cereal called abucay, lime, brick, salt, bassy, vinegar, and fish in brine.

There are also carpenter shops, shoemaker shops, tailor shops, photograph galleries, potteries, wheelwright shops, blacksmith shops, tin shops, and fishing.

All of these industries, though not of great importance at present, are a great help to the inhabitants.

FORESTRY.

The forests of this province are full of the most varied and valuable trees fit for every sort of construction. This is particularly true of the following kinds, which exist in great abundance: Narra, calantas, siggay, salngen, apnit, panglungbuyen, palugapig, and an infinite variety of those belonging to inferior groups.

There is no one, however, engaged in lumbering these woods owing, no doubt, to the lack of draft animals, and more particularly to the lack of capital. The inhabitants, however, use these and other woods for the construction of their houses and other buildings.

MINES.

Sixteen locations have been made during the fiscal year, the majority of them being placer mines, though some are asbestos and quartz. The others are apparently copper mines. Work is now being prosecuted on the mines of asbestos and mica at Bangui and Pasuquin for development purposes.

According to experts in the matter, a large number of mines exist in the mountains of this province which some day, when developed, will doubtless add greatly to the wealth of the province.

Those upon which development work is progressing at present to a certain extent favor the laboring class living in the pueblos near them.

NON-CHRISTIAN TRIBES.

Twelve settlements or colonies of non-Christian tribes have been organized anew under the provisions of act No. 1397 and of the regulations drafted for that purpose which were duly approved with some amendments by the proper authority. The names, with the number of inhabitants, of the said colonies are as follows:

Garnaden	62	Cabittauran	161
Tibangran	121	Patoc	52
Uguis	195	Dumalneg	821
Padpad-ong	50	Aoan	112
Bugayong	86	Bayag	118
Paor	108	Padsan	66

The colony of Dumalneg is near the municipality of Bangui, the northernmost pueblo of the province, and distant from this capital some 80 miles.

The colonies of Aoan and Bayag are to the east of the municipality of Piddig which is also to the east of this provincial capital. They are about 80 miles from the latter.

The colony of Tibangran is to the southeast of the municipality of Badoc, the southernmost pueblo of the province, and about 60 miles from the provincial capital.

All of the eight other colonies are in the eastern part of the province and almost all in one single valley distant some 3 or 4 miles from one another and about 30 miles from Laoag.

These latter and Tibangran are a degree more civilized than the first three named, and the provincial government is taking steps to bring about their

consolidation in order that they may form one single town which will of course be more beneficial for them as it will be easier to lead them along the path of progress.

The inhabitants of the nine colonies last mentioned are almost assimilated with the Christian pueblos in their manner of dress, although this is hardly true with respect to the women, who always wear as ornaments jet bracelets and collars and manding, which is a sort of porcelain of different colors made in the form of beads, which they wear in their hair.

They live in groups of houses built of light materials and of boards, the latter being constructed by carpenters from the Christian pueblos in return for payment.

Their principal food is rice, vegetables, fish, and meat, and they have some liking for liquor.

They till the soil, cultivating rice, corn, red beans, and other vegetables.

They cut cane in the mountains, hunt deer and the wild hog, make baskets, mats, large wooden platters, utensils for washing clothes, gather the products of the labor of the bee to get the honey and the wax, as well as medicinal roots and herbs, taking all of these things to the Christian pueblos for trade, buying in return textiles, crockery, and other articles for use and adornment.

It is true that they are not as yet very industrious, owing to the paucity of their needs and lack of education, but they are capable of advancement.

They are peaceable, hospitable, and law-abiding, and slavery no longer exists among them.

They are different from the Christians in many of their customs, having no religion or special superstitions. It has been noted, however, that they are very moral. A few of them can read and write the Ilocan dialect and also speak and understand Spanish.

Many having children of school age send them to the nearest municipal schools, and there is at Laoag one student from the colony of Garnaden who is quite advanced.

They have gladly accepted their new political organization and show a great desire to progress, though they are not willing to be consolidated with the Christian pueblos even when of the same scale of civilization. This they themselves have declared. Their officials and employees exercise their rights and perform their duties with a certain amount of regularity, while the people gladly submit to the present municipal administration.

Some of the said colonies have just sent their ordinances, which are drafted in Ilocano and in accordance with the regulations governing their municipal administration, to the provincial government, which demonstrate what has been above indicated—that is to say, their relative capacity for government.

They have requested that each of the colonies be provided with a teacher, but the small amount of money corresponding to them from the internal revenue is not at present sufficient for the support of educational facilities there. However, the provincial government is endeavoring to find a way of providing them with teachers.

At present they pay no taxes to the state except for the registration of cattle in accordance with the law. The only other source of revenue, if any, must come from the small fines imposed for infractions of their ordinances.

The inhabitants of the three other colonies, that is to say, Dumalneg, Aoan, and Bayag, are less capable and enlightened than the ones above mentioned.

They go almost naked, though they have also expressed a desire for progress. They occasionally go down into Christian towns for the purpose of selling cigars, which come from settlements farther in the interior that have not yet been organized.

There is a suspicion that some of these latter still preserve the inhuman custom and sanguinary instinct of killing any person they find in isolated places when influenced thereto by their belief in spirit propitiation.

However, during the fiscal year of the total of the seven Christians killed on two distinct occasions, some in the fields near Dingras and others near Pasuquin were put to death by Igorot of settlements not yet organized and lying far in the interior, in the mountains.

HEALTH.

The province has enjoyed excellent health during the fiscal year. The inhabitants pay great attention to sanitary regulations, and the towns are in a very healthy condition.

The work of vaccination in the province is being completed by public vaccinators, and I am informed of their good work and of the submission of the inhabitants to this sanitary regulation. The good results of this are shown in that there was but one case of smallpox in this province during the said time.

There have been no epidemic diseases in Ilocos Norte, but only those that are peculiar to this region.

The number of deaths during the fiscal year has been 4,257, being an estimated average of 25 per 1,000 of the population. The number of births was 10,097. These figures are good evidence of the excellent health enjoyed by the province.

Rinderpest has caused some mortality among cattle and carabaos, though the disease has not been so virulent as to greatly reduce the number of said animals.

POLITICAL.

The political conditions of the province could not be more satisfactory. There have been no disturbances nor disorders to endanger the public peace and tranquillity.

The inhabitants exercise their rights and perform their duties with much more regularity than they have done formerly, and have so much respect for the constituted government, its laws, and authorities that they have never given the provincial government and the guardians of the peace any cause to worry over the well-established and never-disturbed political equilibrium and good order.

The municipal and provincial elections held in December and February, respectively, passed off in a very orderly manner, the electors showing by their actions the intrinsic and extrinsic value of the right of suffrage.

The last elections were more closely contested than the ones before them, and the electoral political parties gave greater evidence of their political skill in gaining supporters for their respective causes, generally employing for this purpose arts and methods that are legal, and thus were able to elect a candidate by lawful ways.

However, there were two municipal elections annulled and consequently held over again, but was not because the electors were ignorant of their rights, but simply a natural consequence of a hotly contested electoral struggle in which the opposing candidates forgot or deliberately violated election rules.

There are some local committees of the Federal and Republican parties of Manila, but they have scarcely any life. There are also committees of the Agricultural Union, as well as some associations organized for purposes of instruction and recreation, which are orderly in their conduct of affairs and very beneficial for old and young, specially for the latter, who have organized such bodies in all of the pueblos of the province. They have been conducted in so orderly a manner as never to give rise to a disturbance of the public order.

The municipal governments are well administered and are making sufficient progress, constituting a graphic and concrete proof that the public power is the inexhaustible fountain of great benefits for the people for the security of the public order and of individual rights, as well as for the encouragement of advancement along all lines.

There are, no doubt, infractions and omissions of the law among these as among every other people, but they are the exception which in no way detracts from the relative political capacity of the people of North Ilocos, who anxiously await the establishment of the Philippine assembly, by which they hope to be able to demonstrate their political capacity.

Respectfully submitted.

MELCHOR FLOR,
Governor of the Province of Ilocos Norte.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF ILOCOS SUR.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF ILOCOS SUR,
Vigan, July 14, 1906.

SIR: I have the honor to submit my annual report for the fiscal year ending June 30, 1906.

Following the order established by the circular letter of the executive bureau dated the 9th ultimo with relation to the preparation of annual reports I shall begin by taking up the subject of

AGRICULTURE.

The harvests of rice and corn, the principal articles used by the inhabitants of this province and of Abra for their sustentation, were sufficiently good during the fiscal year just ended, hence the inhabitants of Ilocos Sur and of the sub-province mentioned have had no cause to worry over their food supply.

Notwithstanding this fact, agriculture in this province is in a very backward and decadent condition, principally because of the annual mortality of work animals. Agricultural implements and methods of cultivation are of the most primitive and rudimentary character, both as used in the manufacture of sugar and indigo and in the cultivation and extraction of the maguey fiber and other crops.

To make some improvement in agriculture it will be necessary to have a sufficient number of work animals and to adopt the use of modern implements and of scientific methods of cultivation.

The various cattle diseases that are annually wont to appear in this province have considerably diminished the number of cattle, specially of work animals, of which, according to statistics furnished by the president of the provincial board of health, 465 died last year.

A strange animal disease called hemorrhagic septicæmia, according to information received from the veterinarian at present in this city, and a remedy for which has not yet been found, has just made its appearance during this month in the pueblos in the northern part of the province.

COMMERCE.

Commercial conditions in this province have suffered no change with relation to former years. During the present one wholesale merchants have been able to purchase maguey and sugar, which have brought fair prices, though the latter article has fallen somewhat during recent months.

Retail merchants and traders in textiles and other products of this province who annually travel through the province of Cagayan, Isabela, Pangasinan, and Zambales complain of few sales, owing, no doubt, to the general financial stringency felt throughout the archipelago.

ECONOMIC.

The economic situation of the province has been marked by no difficulties, the provincial treasury having been able to meet all of its obligations and have a surplus left on June 30, 1906, of ₱19,488.45.

I have no figures with relation to the economic condition of the pueblos of the province, as the district auditor, in whose hands the municipal accounts must be, is away from Vigan. However, it is reasonable to suppose that the province being in an easy financial condition, the pueblos are similarly situated.

FINANCIAL.

The revenues amounted to ₱125,941.05 and the expenditures to ₱106,451.60, leaving a surplus on July 1, 1906, of ₱19,488.45.

Of the ₱16,689.79 of the Congressional relief fund, ₱11,689.79 have been expended, there being consequently a surplus of ₱5,000.

PUBLIC INSTRUCTION.

The progress made by this department in this province is increasing and the results are surprising.

Since the establishment of the high school it has been clearly manifest that the young people of both sexes have become more encouraged, more devoted, and more interested in their studies and in education. When the school of arts and trades, now in course of construction, is completed there can be no doubt that the attendance will be as great, if not greater, than at any other center of learning.

The following table shows the progress of education in this province:

Primary schools	192
Secondary or normal	2
Intermediate	4
Students enrolled	17,745
Attendance	14,594

The monthly pay roll of municipal teachers amounts to ₱2,777.60.

Private education continues as in former years. Two years ago a seminary was opened in this city, where primary and secondary instruction are given by the Jesuit fathers. This center of learning promises to have a large attendance, owing to the universal renown of the Jesuits as good teachers, animating fathers of families to send their children to them.

The old Vigan School for Girls, conducted by the Sisters of the Order of Saint Paul of Chartres, has also been opened.

The Ilocan University, where secondary instruction is given, still continues its law school; but the Ilocan Institute has been closed on account of its students having enrolled themselves with the seminary.

INDUSTRIES.

This important source of the public wealth has not yet reached the desired level in Ilocos Sur.

The principal industries to which the Ilocanos devote themselves are as follows: The manufacture of cloth in primitive and rude looms; the making of earthen jars, brick, and roofing and flooring tiles, by burning in ovens; furniture making, carriage making, boat building, harness making, shoemaking, pottery making; hunting and fishing; the manufacture of cigars, and the tanning of hides by primitive and imperfect methods.

MANUFACTORIES.

Some few years ago this province had some distilleries and sugar mills, but at present only the Santa distillery remains, those of Candon having shut down on account of their inability to support the internal-revenue tax. Vigan also formerly had a tobacco factory called "La Union Ilocana," which was shut down for the same reason; so that the province of Ilocos Sur is to-day in worse condition than in former years as regards factories.

NATURAL RESOURCES.

This province is very poor as regards mineral wealth, chalk only being found in the mountains of the north. As regards its forestry wealth it is very insignificant in comparison with other provinces, as only in the mountains of Abra are there any timbers of the first group lumbered and sold in the market for the construction of buildings and houses in the province. The following table will show these facts to be true. It was furnished by the forestry bureau.

Approximate estimate of the consumption of forestry products during the fiscal year beginning July 1, 1905, and ending June 30, 1906:

Lumber	cubic meters	10,000
Firewood	do	20,000
Stone (all sizes)	pieces	10,000
Rattan	do	10,000

NONCHRISTIAN OR PAGAN TRIBES.

The number of non-Christian tribes in the different townships and settlements of Ilocos Sur and of the subprovince of Abra comprises 25,400 inhabitants distributed in the following manner:

Eight townships, with a total of 9,225 inhabitants.

Four settlements, which it is proposed to organize as townships, with a total of 2,807 inhabitants.

Fourteen settlements organized under act No. 1397, sections 61 to 64, inclusive, with a total of 5,992 inhabitants.

Fifty-five settlements organized under the old system, with a total of 7,456 inhabitants.

POLITICO-ADMINISTRATIVE CONDITIONS.

During the past year no event has been recorded in this province of Ilocos Sur of such a character as to cause a great disturbance among the people. The only events that have taken place causing temporary excitement have been fires, floods, and common crimes. Both socially and politically it can be said that the province has enjoyed complete tranquillity.

Thanks to these circumstances the provincial government has not had to cope with extraordinary work to absorb its attention to the prejudice of the ordinary run of public affairs.

The total number of inhabitants of Ilocos Sur and Abra amounts to 237,023 among civilized and noncivilized, distributed in 19 municipalities and a number of townships and settlements. The total area of the region indicated comprises 1,642 square miles, the density of population being 144 inhabitants per square mile.

Townships were organized under act No. 1397. Their presidents and councils have been elected and are working in an orderly manner.

The municipal police of the province was reorganized with a strength of 229 members, distributed proportionately among the municipalities according to their importance. There is a provincial captain who inspects all of the province and a lieutenant for the subprovince of Abra.

The following business was transacted by the court of first instance of this province during the fiscal year:

Criminal causes pending July 1, 1905.....	52
Criminal causes started since July 1, 1905.....	122
Criminal matter disposed of.....	127
Criminal cases pending July 1, 1906.....	47
Civil cases pending July 1, 1905.....	85
Civil cases started since July 1, 1905.....	59
Civil cases disposed of.....	80
Civil cases pending July 1, 1906.....	64

Fees collected during fiscal year, ₱6,381.

PUBLIC HEALTH AND SANITATION.

During the past year smallpox appeared in the province in nearly all of the pueblos and, though its effects were disastrous during the first few months, the sanitary conditions of the province have not undergone any change worthy of mention. Indeed it can be stated that the general health of the public is as good, if not better, than last year. Thanks to the wise and energetic measures adopted by the provincial and municipal health officials smallpox did not reach a widespread development, its virulence having been arrested within a comparatively short time, and subsequently it was completely eradicated.

Young children suffered most from its effects, very few adults having been attacked.

The statistics furnished by the provincial board of health are as follows:

Births	10, 278
Deaths	5, 367
Marriages	1, 789
Deaths from smallpox.....	653
Cases of smallpox.....	1, 792

It should be noted that these figures correspond to the calendar year 1905, the statistics for the fiscal year not being at hand.

There are 235 lepers and 171 insane living with their families or relatives in this province. It would be well for the first to be taken to the island of Cullion in order to avoid the spread of the disease, it being well known that leprosy is transmitted by inheritance and by contagion. Among the insane there are some who are violent, but they are few in number. However, these should be confined in an asylum in order to avoid the perpetration of crimes. The province has no institution of this kind owing to the lack of money.

PUBLIC WORKS.

The main highway, bridges, and culverts in the northern part of the province—that is to say, the road from Vigan to Sinit, have been repaired and put in very good condition.

The wagon road in the southern part of the province will be repaired after the rainy season; some of the bridges on this road that were destroyed some time ago are being rebuilt.

The road from Abra to Banauang and Bangued, upon which ₱100,000 have been expended by the insular treasury, was entirely destroyed, including bridges on same, as the result of the flood of last August, which also destroyed about half of the pueblo of Santa and some barrios of the district of Caoayan, of the municipality of Vigan.

The building for the school of arts and trades, so eagerly desired by the inhabitants of this province for a long time past, is at present under construction.

During the four months that I have been at the head of the province, I have been so occupied with other matters that I have not had the time to inquire into its needs. In my next report I believe that I will deal with many important matters which relate to the improvement of the province I govern.

Respectfully submitted.

FELIX ANGCO,
Governor of the Province of Ilocos Sur.

The GOVERNOR-GENERAL.

Report of the governor of the subprovince of Abra (Ilocos Sur).

[Translation.]

OFFICE OF THE LIEUTENANT-GOVERNOR, SUBPROVINCE OF ABRA,
Bangued, July 10, 1906.

SIR: Pursuant to the provisions of act No. 1044, I have the honor to submit for your consideration the following report of the subprovince of Abra corresponding to the fiscal year ending June 30, 1906.

AGRICULTURE.

The principal products of the pueblos of the province are rice, tobacco, corn, cocoa, and others of minor importance.

The last harvest was unsatisfactory, owing to the climatic conditions and seismic effects. The estimated production of the different crops was as specified below:

Rice, 20,000 uyones of 100 small hands each.

Corn, 13,000 uyones of 1,000 ears each.

Tobacco, 6,000 quintals.

Sugar, 1,000 piculs.

Cacao, 35 cavans.

As a general rule rice has suffered a loss of about 45 per cent, due partly to the ravages of the insect called "arabas," that has destroyed first and second plantations, and partly to the drouth, and to the four earthquakes felt during October and November, which damaged irrigation ditches and reservoirs and caused the earth to crack in many places. In addition to this, storms and floods in August and September of last year and the terrible consequences of the dugudug wind have contributed to this effect. Tobacco plants were also attacked by the insects abalen and curiat. As a general rule other crops suffered but little.

Tobacco and sugar cane plantations would be susceptible of greater development, and hence of constituting the wealth of these pueblos, but having no for-

foreign market, and the entry of Philippine products into the parts of the United States being prohibited by tariff laws, it is in every way impossible for the provincial authorities to counsel, much less take, any initiative with regard to the extension of these two crops. On the other hand, as the stock farms, formerly one of the principal sources of wealth of this province, have been completely decimated, when not annihilated, by epidemic diseases, Abra is doomed to remain in its present deplorable state of prostration and ruin if the Congress of the United States fails to grant to Philippine products the concessions to which justice entitles them.

COMMERCE.

The condition of commerce is deplorable as a result of the want of local products to be exported, for while the value of imports amounts approximately to ₱52,780, exports reach only ₱40,860, showing the trade balance against the subprovince of ₱11,920, which is tantamount to an excess of 20 per cent of imports over exports. Commerce is entirely in foreign hands. There are eight Chinese establishments in Bangued and one in Pidigan whose sales during the past year are estimated at ₱47,580. One American and two Filipino establishments sold goods to the value of only ₱5,200, approximately.

Imports:

The following list shows the merchandise sold in the nine Chinese stores—

Books, paper, and desk supplies.....	₱150.00	
Agricultural implements and tools.....	1,200.00	
Silk, cotton, and woolen textiles.....	24,000.00	
Laces	850.00	
Straw, felt, and woolen hats.....	1,200.00	
Crockery, china, and glassware.....	1,000.00	
Native hats.....	180.00	
General merchandise.....	19,000.00	
		₱47,580.00

American and Filipino stores—

American and European canned goods.....	2,500.00	
Beer, wines, and liquors.....	1,500.00	
Cigars, cigarettes, and tobacco.....	600.00	
Pharmaceutical products and perfumery.....	600.00	
		5,200.00

Total		52,780.00
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Exports:

Products sold in the locality—

Leaf tobacco.....	18,750.00	
Cattle	14,000.00	
Forestry products.....	3,000.00	
Rice	1,600.00	
Corn	800.00	
Sugar	700.00	
Maguey seeds.....	300.00	
		39,150.00

Local industries—

Shoes and slippers.....	1,500.00	
Manufactured tobacco.....	160.00	
Salocots, or native hats	50.00	
		1,710.00

Total		40,860.00
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In addition to the unfavorable balance of imports over exports it must be taken into account that rice, hulled and unhulled, is not exported, but is an article of trade only among the inhabitants of the subprovince, being sold in pueblos of Abra, where it is not cultivated. The price of a cavan of rice is generally ₱5. Palay is quoted at from ₱10 to ₱12 the uyon of 100 small hands. A small amount of corn was sold in Vigan, the majority having been used for local consumption. The current price is from ₱2.50 to ₱3.50 the uyon of 1,000 ears, according to quality. As maguey can not be stripped in this subprovince,

owing to a lack of salt water and of stripping machinery, young plants are sold to growers in Ilocos Sur at from ₱5 to ₱6 per thousand, assorted. Forestry products are also sold in Vigan, the provincial government buying same for the construction and repair of public works. Prices vary according to the quality and dimensions of the lumber, but as a general rule lumber of the first group varies between 60 and 90 centavos per cubic foot. Sales of the products of local industries have been exclusively between the residents of the pueblos of the subprovince.

The only products that can be said to have been exported are cattle and leaf tobacco, though the use of the word export is not strictly proper. There have been very few sales of cattle, owing to the dearth of animals, as stock farms, so flourishing and wealthy in happier times, have been almost completely annihilated by the rinderpest, surra, and other cattle diseases that have caused terrible ravages in this subprovince. The majority of the sales made during the past fiscal year was of carabos, buyers coming from the southern provinces, especially from Pangasinan. As regards leaf tobacco, sales have been made to certain merchants in Vigan who are of Chinese nationality, especially to the Compañía Tabacalera, which annually buys the largest number of quintals. The present tobacco production of this subprovince is only some 6,000 quintals. Over 4,600 quintals from the last crop were sold, the balance having supplied local demand. The average price was ₱4 per quintal.

ECONOMICS.

It is easy to understand and to appreciate, from the foregoing information contained in the paragraph regarding the commerce of this subprovince, that the present crisis will lead to ruin unless some timely remedial measures are adopted. There are two principal causes of the present economical crisis: Mortality among cattle and the lack of a market for tobacco. As a matter of fact, cattle and tobacco are the two products constituting the wealth of the inhabitants of Abra. Formerly a large number of carabaos and horses was annually exported and sold for prices which brought great profits to stock raisers and dealers. Manila, the capital of the archipelago, was the principal market, though sales were also made in the pueblos of the provinces of Ilocos Sur, La Union, Pangasinan, and Tarlac, especially of cattle and carabaos. Large numbers of horses were frequently taken to the Manila market to be used by the street railway and public vehicles, as the horses from this locality, though small in size, are very hardy and of good appearance. In the year 1898 rinderpest spread throughout the province, causing a mortality of 85 per cent, according to information I have been able to obtain. In 1901, when the stock farms had almost recovered from the visitation of this disease, the rinderpest, surra, and other diseases of cattle again broke out. From that time until last December disease was epidemic, the last outbreak occurring in 1903 and lasting to the present time, causing a loss of approximately 66 per cent.

As regards tobacco, its production formerly reached 16,000 quintals, but it has been diminishing year by year in such manner that during recent times the crop has not exceeded from five to six thousand quintals, the principal cause of this decrease being the lack of a market. In the past a considerable amount was exported not only from this subprovince but from the entire Ilocan region to Spain, England, Italy, Antwerp, and other European markets, as well as to China and Japan. Now, not only those markets have been lost, but an impassible barrier prevents the importation of Philippine products, especially tobacco and sugar, into the markets of the United States. This condition of affairs has quite naturally made its terrible effects felt in the economic condition of the islands in general and in that of the people of this province in particular.

FINANCE.

The taxes and imposts authorized by the municipal code and its amendments and by the internal-revenue act have been paid with accustomed regularity in all of the municipalities. A few delinquents in former years are now voluntarily paying up their indebtedness.

The budgets of the five municipalities of Bangued, Bucay, Dolores, La Paz, and Pilar amount to ₱24,327; of which sum ₱6,197.17 have been set aside for school funds, including salaries of municipal teachers; ₱1,856.50 for improvements and public works; ₱12,392 for salaries and wages of officers and employees, including the municipal police, and ₱2,926.37 for other purposes, leaving a balance of ₱954.96.

According to the figures given, it is found that the municipalities have appropriated for their expenses in the following proportions:

	Per cent.
For school funds.....	25
For improvements and public works.....	8
For salaries and wages.....	50
For other expenses.....	12
Leaving a balance of.....	5

I am of the opinion that the municipalities in making appropriations give preferable attention to the most peremptory needs of the people, which are school funds and municipal improvements and public works. At the same time, an effort should be made to reduce appropriations for salaries and wages that in many instances absorb nearly all of the municipal funds. The best distribution of such funds would be the following:

	Per cent.
School funds	45
Improvements and public works.....	25
Salaries and wages.....	20
Other expenses	10

In this manner we would have better schools, better paid teachers, and good public buildings, streets, squares, bridges, and culverts.

PUBLIC INSTRUCTION.

There are 37 schools in the municipalities, 6 being central and 31 barrio schools.

The attendance amounts to 5,013—2,711 boys and 2,302 girls. There are 35 male teachers and 25 females, making a total of 60. Of this number 22 male and 18 female teachers are paid out of municipal funds, while the government pays the salaries of 13 male and 7 female teachers.

The high school is located at Bangued and is in charge of an American principal and American professors. The principal of the public schools of Bangued and the supervisor of the schools in the other municipalities are also Americans. All of the other teachers, male and female, are Filipinos. Bangued has 10 private primary schools, which are attended by very few pupils.

The proportion of school children attending the public schools in the five municipalities mentioned is as follows:

	Per cent.
Boys	7.33
Girls	6.22
Both sexes	13.55

The foregoing figures show the progress made by public education in this subprovince. The general average of attendance of 13.55 is an evident proof of the interest taken by the young people of Abra in education, and interest which, in connection with the diligence and assiduity of the American and Filipino teachers, has resulted in the brilliant success obtained.

INDUSTRY.

The present condition of the few industries known among the people of this subprovince indicates stagnation rather than progress and, above all, is an evidence of their being unprofitable.

The textile industry, or the making of cotton and silk cloth by hand looms, is exclusively of a household nature, its products being destined for family use with rare exceptions. Formerly native cotton was used for this purpose, but at the present time that imported from Germany and Spain is more frequently employed.

The fishing industry is very small owing to the location of the subprovince, which is from 30 to 35 kilometers distant from the sea. The only fishing done is in the rivers during certain seasons of the year. Deer and wild boar are hunted exclusively for the purpose of supplying the household larder. Cordage manufacturing is carried on in this locality to supply the local demand only. The industry of manufactured tobacco is very insignificant. There are three establishments engaged in the making of foot ware, specially of the slippers commonly used in this locality, all of the work being done by hand.

The following industries if established might be profitably carried on and developed: Lumbering, rope making, cabinetmaking, soap making, and other industries using gums or resins as raw material. Any industry using rattan as raw material, such as manufacture of furniture, would be profitable, as the forests contain large quantities and many vareties of this wood.

NATURAL RESOURCES.

The entire area of this subprovince is covered with an exuberant and luxuriant vegetation, a natural consequence of the fertility of its soil, and is surrounded by forests, mountains, and rivers.

Forestry.—There is a great abundance and variety of good timber. The best-known trees are the following: Molave (*vitex geniculata*, Bl. Fam. Viticeas), narra (*Pterocarpus santalinus*, L.-Fam. Papilionaceas), good for building purposes; camagon (*Maba buxifulla*, Pres.-Fam. Ebanaceas), lanate or lanuti (*Anasser Laniti*, Bl. Fam. Apocineas), and ebony (*Diospyrus nigras*, L.-Fam. Ebanaceas), which is used for cabinetmaking and for canes; and Tindalo (*Esperna rhomboïdes*, Bl.-Fam. Leguminosas), good for building purposes and cabinetmaking. These woods belong to the first group. The following are of the second group: Banabá (*Lagerstraemia speciosa*, Pers.-Fam. Litrariaceas), calantás or Philippine cedar (*Cedrela Odorata*, Bl.-Fam. Meliaceas), and dungon (*Sterculia cimbiformis*, D. C.-Fam. Esterculiaceas). There is a great variety of timber of the inferior groups.

Minerals.—There is a gold deposit at Mount Buyatan, in the settlement of Lacub. There are two coal deposits, one at Bacooc, in the township of Lagangilang, and another at Mount Tayab, in the municipal district of Bangued. There are two chalk deposits, one in Paganao, in the township of Lagangilang, and another at Mount Pangpang at Villavleja, municipality of Pilar.

Thermal waters.—There are four known springs: One at Mapaso, in the township of Danglas; another at Mount Bacao, in the settlement of Sal-lapadan; another at Mount Capanniquian, in Villavleja, municipal district of Pilar, and a fourth at Mount Posoey, in the township of Manabo.

Resins.—The following are the plants known in this subprovince to yield resins or gum elastic: Tebbeg, naranjo, uplas, nangca, pacac, rayaraya, and anteng.

Textile plants.—Those known are: Lapnit, anonang, alinao, saluyot, anonas, maracapas, capasanglay, annabó, tacquinbaca, queddeng, and bionong.

Dye plants.—Among others are the aromas and the dungon.

Medicinal plants.—Among the great variety of plants of this nature the best known are the Dal-lipaoen (*echites scholaris*, Linneus) ; alpasotus, which belongs to the Chenopodiaceas (*ehenopodium ambrosioides*, Linneus) ; tawatawa (*Ris-nus comunis*, Linneus) ; sesanum (*sesanum indicum*, Linneus), and several others.

Palms.—The most common are the anahao or palma brava (*coriphaminor*, L.), and the buri (*corypha umbraculiferi*, L.) ; the coconut (*cocus nusifera*) and the bonga (*areca catechu*, L.). The two latter are very scarce here.

NONCHRISTIAN TRIBES.

The non-Christian tribes are organized under the provisions of act No. 1397, known as the township government act. There are 8 townships divided into 72 barrios or districts in charge of their respective councillors, whose number of inhabitants is 9,225. The settlements of Abra number 14 with 5,912 inhabitants, and those of Ilocos Sur number 55 with 7,456 souls. The total number of souls in the 69 settlements is 13,368. To sum up, the total number of non-Christian inhabitants is as follows :

	Number.	Inhabi-tants.
Townships.....	8	9,225
Settlements.....	69	13,338
Total.....		22,593

The settlements are organized in accordance with the provisions of sections 61 to 64 of the township-government act and with a set of regulations. The government of each settlement is in the charge of a president, vice-president, school teacher, who also performs the duties of secretary and clerk, and two policemen who also act as messengers. In addition each settlement will have a board composed of the president and two distinguished elders which will act as a court to try cases of infractions of ordinances, subject to the approval of the subgovernor. Members of said settlements are subject to the cedula tax in accordance with the provisions of the internal-revenue law. The funds of the settlements are in the charge of the provincial treasurer, who keeps a general account under the head of "Non-Christian tribe fund." The provincial board is empowered to dispose of the balance of the said account for the benefit of the settlements, with the approval of the Secretary of the Interior.

The townships and settlements of Abra have 1,195 children attending the public schools who are of the male sex, and 799 girls, making a total of 1,994. They have 8 schools in the principal barrios and 28 in the secondary barrios, making a total of 36 schools, with a like number of teachers. Said schools are under the supervision of an American teacher.

The average number of children attending school compared to the number of inhabitants in the said townships and settlements is as follows:

	Per cent.
Boys -----	7.89
Girls -----	5.27
Both sexes -----	13.16

The provincial board, at the session held May 28, resolved to appropriate the sum of ₱1,650 from the non-Christian tribe fund for the purpose of paying the expenses of six boys and four girls of the Tingulane tribe from among the most advanced pupils, in order that they might have the opportunity of continuing their studies in the public schools of this division during the school year 1906-7, said expenses to include maintenance, clothing, and all other expenses. This resolution was approved by the secretary of the interior. Through the direct effort of the secretary of the interior the Commission has appropriated ₱5,000 for the construction of an industrial and agricultural school for non-Christians in the township of Lagangilang.

As regards agriculture, the non-Christians are engaged in the cultivation of rice, corn, and a variety of food plants. I am greatly interested in introducing among them the cultivation of cotton and potatoes from seed procured from the United States. These pagans are progressing rapidly in their education and in the administration of their own interests and those of their communities.

POLITICAL CONDITIONS.

Organization.—Pursuant to act No. 1001, passed November 2, 1903, the eleven municipalities of the province of Abra were reduced to five and the province itself was annexed to Ilocos Sur in April, 1905, pursuant to act No. 1306, under the designation of subprovince of Abra. In accordance with the provisions of the later law, the non-Christian tribes of Ilocos Sur, as well as those of Abra, were placed under the control of the subgovernor of Abra.

The five municipalities are organized in accordance with the municipal code, and are composed of fifty districts, divided into 104 barrios, in charge of councilors and *tenientes de barrio*. The municipality of Bangued is of the second class, and those of Bucay, Dolores, La Paz, and Pilar of the fourth class. The total number of Christian inhabitants is 36,946. All of the said municipalities are provided with justices of the peace, but have no notaries public.

Public order.—Peace and tranquillity throughout the subprovince are absolute. There has been no disturbance of public order. The number of trials had in the municipalities for infractions of ordinances has been 221, as follows:

Bangued -----	201
Bucay -----	4
Dolores -----	11
La Paz -----	4
Pilar -----	1
Total -----	221

The said trials have resulted in the acquittal of 93 individuals, in the fining of 164, and in the imprisonment of 3, 1 having been fined and imprisoned and 1 other reprimanded. The fines imposed amounted to ₱167.60 and the amount collected was ₱129.60. The most prominent misdemeanors have been infractions of sanitary rules and those against property.

The number of arrests made by the municipal police was 269.

Municipal police.—The municipal police force was recently reorganized and placed under the supervision of the constabulary, pursuant to act No. 781. It is composed of 47 individuals, distributed among five municipalities, and 1 lieutenant, who has charge, also, of the police of the townships and settlements. The cost of the police was ₱4,476.

Criminality.—During the fiscal year the justice of the peace courts of the five municipalities of this subprovince have tried the following cases:

Misdemeanors	92
Criminal prosecutions	32
Criminal causes and proceedings dismissed	10
Dismissed on account of private prosecution	3
Dismissed by the court	1

The predominant crime has been the theft of cattle.

PUBLIC HEALTH AND SANITATION.

The public health of the subprovince would have been unexcelled, as the climate is beneficial, had it not been for the epidemic of smallpox in the pueblos. The disease came from some of the barrios of Vigan. The first cases were recorded about September and November of last year. The first place attacked was the barrio of Palang, of the township of San Quintin. Almost simultaneously the pueblos of La Paz, Dolores, Bucay, Pilar, and Bangued were attacked. In Tayun, district of the municipality of Bangued, the disease reached its highest development. It also spread to some of the townships and settlements.

The total number of persons attacked was 1,076, of which 217 died, 826 recovered, and 33 are convalescent. These figures show the following percentages with relation to the total number of persons attacked:

	Per cent.
Deaths	20
Recoveries	77
Convalescents	3

The majority of the victims were children of tender age, though there have been cases of adults attacked. As a general rule, the epidemic was of a mild type.

The total number of persons vaccinated during the fiscal year was 40,847.

The following table shows the number of births, marriages, and deaths during the year:

Births	1,923
Marriages	364
Deaths	970

As the total number of inhabitants living in the municipalities is 36,946 and of those living in townships 9,225, the total, 46,171, shows the following percentages of births, marriages, and deaths:

	Per cent.
Births	4.16
Marriages .....	.78
Deaths	2.10

If we deduct from the total number of deaths, which was 970, the number caused by smallpox, which was 217, we find that the deaths due to common diseases numbered 753, a percentage of 1.63 only of the total number of inhabitants in the said province.

The diseases that have caused the largest number of deaths were, among adults, malarial and intermittent fevers, and in children convulsions. At present diarrhea is rampant, due, perhaps, to the change of temperature, the effect of which has been specially notable as regards drinking water. This generally happens every year at the beginning of the rainy season.

The sanitation and cleaning of public squares, streets, and lots of the towns and of the barrios is carried on with considerable interest on the part of the municipalities and the inhabitants.

PUBLIC WORKS.

No work of this character worthy of special mention has been done during the past fiscal year, nor have I been able to take any steps in this matter on account of lack of time, as I took office last September during the rainy season and was unable to visit the pueblos for the purpose of learning their needs in this respect. During the dry season I have employed nearly all of my available time in visits of inspection to all places within my jurisdiction.

The only public work done by the municipalities has been in the nature of repairs to municipal buildings, schools, streets, squares, and sewers, the cost of which has amounted to ₱708.69. The amount appropriated at present for such purposes is ₱2,000. One of the most important works was the repair of the Bangued market, which had been a long-felt want that demanded immediate attention.

It is necessary to use the funds corresponding to this subprovince for the construction of a new road from Bangued to Tayum, as the present one can not possibly be repaired on account of the destruction wrought by the rain and by the river. Moreover, it is necessary to repair the roads, bridges, and culverts between Tayum and Dolores, Bangued and Bucay via Peñarrubia, Bangued and La Paz, and Bangued to Vigan. This latter road will be available only for horses. The others will be wagon roads. The government building now used as a high school also needs slight repairs.

Respectfully submitted.

JOAQUIN ORTEGA,
Lieutenant-Governor of the Subprovince of Abra.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF ILOILO.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF ILOILO,
Iloilo, August 2, 1906.

SIR: In compliance with the provisions of act No. 1044 and pursuant to the circular letter of June 9, 1906, sent by the honorable executive secretary, I have the honor to present for your consideration the following report for the fiscal year ending June 30, 1906.

I can say that in accordance with information obtained in different pueblos of this province conditions in same have improved remarkably during the last few months.

Hereunder follows a detailed recital of the progress made in different departments:

AGRICULTURE.

The principal agricultural products of this province are rice, tobacco, corn, and dyewood.

Rice.—The increase in the production of this cereal as compared to last crop is estimated at 25 per cent. Owing to this increase the importation of Saigon rice has decreased in a large measure. A great part of its importations to Iloilo has this year been distributed among the several pueblos of the two provinces of the island of Negros. Since January daily shipments from the interior have been brought to this provincial capital and suburban towns, and this rice has been sold in the public markets at lower prices than the Saigon article. This is the first time in many years that rice produced in this locality has been sold in competition with that from Saigon to the advantage of the former. Saigon rice has this year reached only a few of the coast towns of the province that, being engaged in the cultivation of other crops, have for a long time past drawn their supplies of rice from other parts. It is quite obvious that they can more easily secure Saigon rice than that produced in the interior of the province on account of the question of transportation, which is a costly matter by land in view of the scarcity of draft animals.

Tobacco.—The production of tobacco has considerably increased. The Compañía General de Tabacos, the only commercial house dealing in tobacco in this province, was able to buy only 2,700 quintals in the year 1904-5, while last year it bought 10,200 quintals. Persons having a knowledge of this year's crop estimate that it was not under 16,000 quintals, including the stocks kept on hand by well-to-do persons and the amount used for local consumption.

This increase in production is due in large measure to the Compañía General de Tabacos de Filipinas that has made a free distribution of seeds brought from Isabela de Luzon among several of the pueblos of this province. The change in seed has considerably improved the quality of this product and its quantity as well, so that an increase in price has accompanied increased production. Naturally the encouraging outlook has awakened the flagging interest of the planters, and to such an extent that there is reason to believe that in coming years great things may be expected from this agricultural source of wealth, which is one of the most important in the province.

Sugar.—As to sugar it must be confessed that its production is as scant as ever. The good prices offered by speculators in this provincial capital at the beginning of the year 1905 held up for a short time only, having fallen to one-half nearly this year, so that present prices are so poor that if it is considered how scarce cattle and capital are and that both of these elements are indispensable in the production of sugar, it can easily be understood that they do not compensate the efforts put forth in the cultivation of the cane and its manufacture into sugar.

Sugar quotations in this market have been stationary and do not fulfill the hopes of the sugar planters, as they do not even make allowance for the many obligations that planters are obliged to contract in harvesting the crop. The origin of this condition of affairs is found in the control of the business of this country possessed by the Chinese market, the only one that engrosses this article in the Far East.

Had free trade with the United States been permitted this critical condition of affairs, which brings about that control of our business by the Chinese market, would have disappeared, for the reason that our products would have had another competing market.

But it now appears that it will be difficult to obtain the desired privilege for our commerce; therefore it would be desirable for the Government to try other ways of benefiting our trade. Among them is pointed out the establishing of a commercial treaty with the countries surrounding us, to the end that our products may be accepted in their respective markets and Oriental possessions.

The construction of railway lines will undoubtedly bring advantages to our agriculture, for the reason that it will favor the transportation of our products at relatively a less cost from the remotest pueblos to this city.

Corn.—During the fiscal year the yield of corn was much greater in proportion than that of rice. Large plantations have given two and even three crops which were so abundant that it can be said that they will more than meet the local demand, and they constitute a guarantee that famine will not be felt by the people of this province this year, even during the months generally referred to as those of scarcity, which immediately precede the rice harvest.

Sibucao.—The lack of demand for this dye wood and poor prices in this market have had a great influence in reducing the amount cut.

Notwithstanding the data here given, agriculture is passing through a crisis, due to the calamities which have befallen it in dreadful succession and to the lack of capital.

To lift it from depression all farmers place their hopes in the establishment of agricultural banks. I believe that if the Government would decide to extend its protection to the country by establishing them that the spirit of the people would rise and confidence would be renewed, so that people who have lost courage would undertake new enterprises which would result in the restoration of our former prosperity.

Not a little influence would be exercised in the progress of this principal source of wealth by the introduction of a variety of crops, the free distribution of seeds to farmers, and the sending of expert agriculturists to the pueblos for the purpose of teaching modern practical methods of cultivation. If this were to be done by the Government there would be a great development of our agriculture.

COMMERCE.

The commerce of this province has also made certain progress, judging by the following comparative figures

IMPORTATIONS, 1904-5.

Articles.	Weight.	Declared value.	Customs duties collected.
	<i>Tons.</i>		
Rice	32,656	₱1,625,104.00	₱345,534.00
Sugar	204	27,856.00	12,240.00
Total	32,860	1,652,960.00	356,774.00

EXPORTATIONS, 1905-6.

Sugar	83,150	₱7,622,816.00	₱83,150.00
Sibucan	2,654	58,404.00	.....
Various	41	2,646.00	.....
Total	85,845	7,683,866.00	83,150.00

RÉSUMÉ.

Total value of merchandise imported.....	₱804,876.94
Total value of merchandise exported.....	83,150.00
Duties accruing from imports and exports during the period mentioned....	1,060,048.00

IMPORTATIONS, 1905-6.

Articles.	Weight.	Declared value.	Customs duties collected.
	<i>Tons.</i>		
Rice	18,932	₱1,071,732.00	₱270,530.00
Sugar	105	13,590.00	6,324.00
Total	19,037	1,085,322.00	276,854.00

EXPORTATIONS, 1905-6.

Sugar	95,234	₱8,393,344.00	₱85,234.46
Sibucan	1,821	46,686.00	.....
Tobacco	2	2,400.00	44.86
Various	28	1,484.00	.....
Total	97,085	8,443,914.00	85,278.00

RÉSUMÉ.

Total value of importations.....	₱857,790.00
Total value of exportations.....	95,279.92
Duties accruing from imports and exports.....	1,170,660.00

Comparative statistics.

IMPORTS OF RICE.

Period.	Weight.	Declared value.	Customs duties collected.
	<i>Tons.</i>		
1904-5.....	32,656	₱1,625,104.00	₱344,534.00
1905-6.....	18,932	1,071,732.00	270,530.00
Decrease	13,724	553,372.00	74,004.00

Comparative statistics—Continued.

IMPORTS OF SUGAR.

Period.	Weight. .	Declared value.	Customs duties col- lected.
	<i>Tons.</i>		
1904-5.....	204	P27,856.00	P12,240.00
1905-6.....	105	13,590.00	6,824.00
Decrease	99	14,266.00	5,916.00

EXPORTS OF SUGAR.

1904-5.....	93,150	P7,622,816.00	P83,150.00
1905-6.....	95,284	8,393,844.00	85,284.46
Increase.....	12,084	670,528.00	2,084.46

EXPORTS OF SIBUCAO.

1904-5.....	2,654	P58,404.00	
1905-6.....	1,821	46,686.00	
Decrease	833	11,718.00	

EXPORTS OF TOBACCO.

1905-6.....	2	P2,400.00	P44.86
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EXPORTS OF VARIOUS ARTICLES.

1904-5.....	41	P2,646.00	
1905-6.....	28	1,484.00	
Decrease	13	1,162.00	

RÉSUMÉ OF IMPORTATIONS OF RICE AND SUGAR.

1904-5.....	32,860	P1,652,960.00	P856,774.00
1905-6.....	19,037	1,085,822.00	276,854.00
Decrease	13,823	567,638.00	79,920.00

RÉSUMÉ OF EXPORTATIONS OF RICE AND SUGAR.

1904-5.....	85,845	P7,683,866.00	P83,150.00
1905-6.....	97,085	8,448,914.00	85,278.00
Increase.....	11,240	760,048.00	2,128.00

GENERAL RÉSUMÉ.

Period.	Value of im- ported articles.	Value of ex- ported articles.	Customs duties collected.
1904-5.....	P804,876.94	P83,153.06	P1,060,048.00
1905-6.....	867,790.02	95,279.92	1,170,660.00
Increase	52,913.08	12,126.86	110,612.00

It should be noted that the greater part of the sugar exported, as shown by the above figures, has come from the island of Negros, it being estimated that but 15 per cent of the amount was grown in this province.

ECONOMIC AND FINANCIAL.^a

Internal revenue.—The present method employed in the distribution of internal revenues is not founded on an equitable basis, as neither the revenues of each municipality nor their importance is taken into account.

To demonstrate the disproportion resulting from this method I give hereunder the amounts collected in each one of the municipalities for internal revenues and turned into the insular treasury, in order to show the difference in distribution after settlement was made.

All of the sixteen municipalities of the province of Iloilo received, as their share of municipal revenue, the amount of ₱15,409.43 from internal revenues by them collected during the period covered by this report.

The municipality of Iloilo alone collected during the said period the sum of ₱157,206.11. Out of this large amount it received only the sum of ₱9,834.82, while other municipalities that have not collected over ₱5,000 during the same time have received a considerable amount, almost as much as Iloilo.

The amount corresponding to Iloilo is very small, especially when it is taken into account that in order to collect the internal revenues in this town it has been necessary to maintain municipal employees who are paid pretty good salaries, as living is expensive in this city.

The municipality of Iloilo, on account of its commercial importance, needs good streets and good street cleaning, sprinkling, and lighting service, which it is not necessary to maintain in interior towns. All of this requires large expenditures, and with the present system of distributing internal revenue funds it is scarcely possible to maintain such services.

PUBLIC INSTRUCTION.

The following figures show the progress of education in this province:

AVERAGE ATTENDANCE AT THE PUBLIC SCHOOLS.

	1904-5.	1905-6.	Decrease.	Increase.
Primary.....	9,727	11,924	.....	2,197
Intermediate	880	885	.....	55
Secondary	40	38	2	.....
Arts and trades .....	.....	82	.....	82
Total.....	10,597	12,929	2	2,332
Deducting decrease.....	.....	.....	.....	2
Net increase .....	.....	.....	.....	2,330

SCHOOL BUILDINGS.

Municipal.....	71	127	.....	56
Provincial	1	2	.....	1
Total.....	72	129	.....	57

PERSONNEL..

Americans.....	38	37	1	.....
Filipinos.....	10	9	1	.....
Municipal	187	289	.....	102
Total.....	235	335	2	102

Provincial school funds.

	1904-5.	1905-6.
Total revenues.....	₱64,217.08	₱95,617.79
Total expenses.....	44,684.77	82,560.79
Total balance.....	19,942.31	13,111.00

^aTable showing financial condition is on file in the War Department.

The school of arts and trades and of agriculture will be opened on the 18th of next August.

The opening of these two buildings will widen the horizon of our ambitious youths and offer the prospect of an alluring future by means of the development of their physical and intellectual activities.

The present tendency of young men to prefer government employment will be turned into other channels, resulting in a variety of professions bringing more positive results to them and greater benefits to the country at large.

INDUSTRIES.

The weaving of native textiles goes under the same conditions as during former years. No improvement has been noted, owing to the lack of demand in the Manila market, which formerly took large quantities. This lack of demand is due, according to my own observation, to the somewhat poor economic condition of the provinces of Luzon that draw their supplies of textile from the capital of the archipelago. However, the quality of the cloth is daily improving. Many of the pueblos in the central and southern parts of the province count as one of their most profitable and important industries the weaving of cloth from hemp and cotton, large quantities being consumed in the island of Panay and in Negros, as well as in other parts of the Philippines.

FACTORIES.

The most important factory in this province is that engaged in the manufactures of Bisayan plows, a make used exclusively by a large majority of the planters in the three provinces of the island of Panay and the two provinces of that of Negros.

There is also a tannery situate within the municipal district of Iloilo: the curing and tanning of hides being quite an important industry in the province.

NATURAL RESOURCES.

Nothing new can be said with regard to this subject.

NONCHRISTIAN TRIBES.

There are quite a large number of non-Christian tribes in this province that inhabit the mountains. Some members were captured last year as accomplices to the crime of brigandage and sentenced to imprisonment by the court of first instance. Others have descended from the mountains to the plain to live in the barrios recently constructed. The Aetas, however, are not adapted to the industrious life of the towns, and therefore continue, as is their inveterate habit, to lead a nomadic life, changing their huts from place to place in the mountains and depending on prodigal nature to place in their hands the wherewithal to sustain life. It is but just to state that these little people, in spite of the extreme poverty in which they live, have always been foreign to the excesses of brigandage and that they only come down to the plain on rare occasions for the purpose of begging alms.

The preliminary work for the organization of the said tribes into settlements is now being undertaken. For the purpose of facilitating the policy of attraction inaugurated by the government, the advisability of exempting the said tribes from the payment of the cedula tax for the years prior to their settlement in the places prepared for them is suggested.

POLITICAL CONDITIONS.

Brigandage, which until recently continually threatened the tranquillity of the pueblos, has almost completely disappeared. The constabulary has made many captures of the most notorious leaders of malefactors and of a large number of arms and ammunition, seized in the camps of the ladrones or captured as the result of fights between them and the constabulary or municipal police in their expeditions through the country. Raids and cattle stealing are infrequent and only take place in isolated barrios, which on account of their distances from the towns are not protected as well as might be desired. However, recently constabulary posts have been established in places remote from

the towns, where a small force can, on account of strategic position, control the movements that might be attempted by the brigands. Two of these posts recently established are of such importance as to have resulted in the reconstruction of large barrios and the cultivation of extensive tracts able to produce many thousand cavans of rice. This rebuilding of barrios is just beginning under the tranquillity enjoyed. In a short time a large part of the province will be crossed by railways, which will undoubtedly contribute toward making this tranquillity permanent.

It is but justice here to record the meritorious work of the municipalities in favor of the peace and tranquillity of the province. The action of the constabulary without this valuable assistance would not have been as rapid nor as efficient. In several instances municipal officials have exposed their lives in the capture of the most famous brigand chiefs in order to have the satisfaction of contributing to the safety of the pueblo. During my trips to the pueblos for the purposes of inspection, which have taken me to the remotest barrios, I have observed that the relations between the constabulary and the people could not be more cordial. I attribute this to the efficiency of the service and to the conduct of the officers who have been able to win popular regard.

The tranquillity referred to is noticeable not only in the interior pueblos but even more so in the provincial capital, where the harmony observed between Filipinos and Americans presages an era of frank understanding between the two peoples which will go a long ways in working out the common welfare.

Crime has decreased in a marked degree in this province. Last year 355 cases were recorded, while this year only 215 were recorded, making a decrease of 140 criminal prosecutions. Among the number were 91 prosecutions for brigandage in the year 1904-5 and 42 for 1905-6, a decrease of 49 cases. There has been a falling off in crime as compared to last year amounting to 49 per cent.

PUBLIC WORKS.

So great an impulse has been given to public works that in a short time long stretches of road formerly impassible have been repaired and put in good condition and many bridges and culverts have been replaced. This work has cost the government some ₱45,000, and the people the voluntary labor which they have contributed and that has saved incalculable expense. In order to secure this, labor meetings have been held in the pueblos and even in the barrios where the people themselves have spontaneously offered their services. A large number of these volunteer laborers worked on the roads at night after their day's labor in the fields, and all of them were furnished subsistence by the wealthy inhabitants of each locality, who aside from making donations in money also gave their draft animals for the free transportation of materials. The provincial government, in some cases, also furnished subsistence at the rate of ten centavos a day. In this manner a great deal of money has been saved in doing this work which could not have been otherwise performed. The following résumé of the work done will give some idea of its importance:

Provincial jail	₱12,525.35
Zárraga bridge	2,044.78
Ice plant road and bridge.....	683.76
Otón gravel surfacing	2,175.90
Bayauan bridge	327.50
Jaro bridge, repairing of the floor reinforced concrete.....	3,002.93
Cabatuan-Janluay bridge.....	1,333.75
Zárraga-Pototan bridge	639.20
Otón-Maasin road	859.07
Windmill, arts and trades school.....	1,039.00
Janluay-Pototan bridges	560.65
Pototan-Barotac bridge	391.80
Pototan-Barotac ford	17.50
Cabatuan, Maasin, Alimodian road and bridges.....	1,134.00
Guimbal-Miagáo bridges	594.25
Jiboan road.....	3,980.07
Nanga bridge	103.55
Lub-lub bridge	557.70
Guimbal, Miagáo, Tubungan, Igarás road and bridges.....	6,764.59
Miagáo-San Joaquin road and bridges	5,728.65

Tigbauan road	₱59.38
León road	21.00
Cabatuan road	250.33
Janluay road	75.00
Santa Bárbara road	44.44
Comisión civil road	277.09
Barotac Nuevo road	6.88
Baguinguin bridge, León	6.88
Jaro Leganés road	100.00
Janluay road (Lambunao)	25.00
Gulmbal, Miagáo, and San Joaquín boundaries	172.80
Pototan road	128.00
Abangay bridge	123.35
Balasan culvert and bridge	49.36
Sara culvert and bridge	34.41
Total	45,837.92

From the above showing it will be seen that, thanks to the cooperation of the people of the pueblos, important improvements have been made in comparatively a short period of time and at so small a cost. Many of the roads put in good condition had been out of repair since Spanish times.

The majority of the bridges constructed are of a permanent character, being built of concrete.

Some of the municipalities, by an effort, have made appropriations from their funds for public works equal to the amount appropriated by the provincial board for a like purpose in their pueblos. On the other hand, some whose funds were not as bouyant as might be, have spent none of their money in the work done in their districts, all of which has been paid for by the provincial treasury.

By this method the administration and employment of the provincial funds have been decentralized by allowing not only the municipalities to participate in them which have not received assistance from any funds for public works since military occupation, but also the most remote barrios, the majority of which have now bridges, culverts, and roads in a tolerable state of repair and utility.

In order to give a great impetus to public works I suggest that the provision of law limiting the expenses which can be incurred for public works without the approval of the district engineer be increased to ₱200.

PUBLIC HEALTH AND SANITATION.

For some time past the diseases that in years back caused great mortality among the people have not manifested alarming symptoms. Malarial fever and beriberi, that in 1900, 1901, and 1902 caused the loss of an enormous number of lives, have apparently disappeared even from the localities where the greatest humidity exists. From time to time cases are known, but they are of small importance.

The following statistics of deaths and births will demonstrate that public health in this province is in unexcelled conditions:

Births registered in 1904-5	15,206
Deaths registered in 1904-5	13,118
Excess of births	2,088
Births registered in 1905-6 (July 1 to April 30)	12,663
Deaths during same period	8,270
Excess of births	4,393
Increase in number of births over last year	2,305

Respectfully submitted.

BENITO LOPEZ,
Governor of the Province of Iloilo.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF ISABELA.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF ISABELA,
Ilagan, July 10, 1906.

SIR: Before taking up my annual report for the year ending June 30, 1906, I will first express my respects to the Honorable Philippine Commission in general and to the governor-general in particular.

I shall begin this report by stating that along both banks of the Cagayan River are situate the nine municipalities constituting the province of Isabela, which contain 69,593 Christians and 12,231 members of non-Christian tribes. Speaking generally, the former are entirely peaceable, being engaged solely in looking after their homes, their plantations, and in performing their duties as good citizens, though as regards the latter they place religious duties above all others. With reference to the non-Christian tribes they are also industrious, though they continue to be somewhat unruly in following their traditional custom of keeping alive sanguinary combats among themselves.

Of the 69,593 Christians, 37,140 are Ilocanos who have emigrated to this province during the last twenty-five years, the balance being natives, and a small number Tagalogs.

PUEBLOS.

The majority of the pueblos of Isabela, such as Cabagan Nuevo, Tumauni, Ilagan, Nagullian, Gamu, and Echague, are fairly well situated to be considered as town centers, as they are well enough established to lead to the belief that in future they will not disappear as have the old pueblos of Camarag, now Echague; Angadanan, now Tagle; Nagali, now Hagan, and Cabagan Viejo, now Cabagan Nuevo, it having been found necessary to change them to the present pueblos in view of the fact that at the time of their establishment the authorities did not take into consideration the consequences of the floods of the Rio Grande de Cagayan, and to the additional fact that immigrants arriving in the province built their houses outside of the town without regard to said floods. The pueblos above mentioned as existing at the present time are to-day provided with a goodly number of private dwellings, stores, markets, and municipal buildings, such as schools and tribunales, with the exception of Tumauni, Gamu, and Echague, that have as yet been unable to complete their presidencias, notwithstanding the fact that they have already got the necessary materials on hand. Ilagan is really the only one among the municipalities mentioned that has its municipal offices properly installed and equipped.

I believe that if the municipalities of this province were properly to arrange their municipal buildings so as to command the respect of any citizen going there it would probably have the effect of making the people take more interest in complying with their obligations.

The government of these municipalities has been run in an orderly manner, municipal ordinances having been enforced without much difficulty, although in a few instances they have been annulled by the councils as irregular after they had been apprised of that fact. However, my attention has been strongly attracted to the fact that the majority of these municipalities have shown no desire to exercise their powers with regard to opium joints, Ilagan and Gamu being the only two that have regulated opium smoking this year by prohibiting the townspeople the use of this article except when prescribed by a physician.

The financial administration of the above-mentioned municipalities has also been conducted in a perfectly orderly manner, Ilagan, Echague, and Cabagan Nuevo that have always had a surplus at the end of each year having lost somewhat heavily this year on account of the suspension of the land tax and the insufficiency of the revenues provided in lieu thereof. Tumauni, Nagullian, and Gamu have been able to avoid a deficit and have got along fairly well, considering that none of them ever had much of a surplus.

Nagullian, however, felt rather uneasy about the middle of last May, as the district auditor discovered a shortage of ₱412.94 in the general funds of the municipality in the hands of the municipal treasurer. The amount of the defalcation was made good by the municipal treasurer as soon as discovered.

Santa Maria, on account of its location, would be a beautiful pueblo if it had good municipal buildings and private houses to enhance the charm of the town, but at the present time its aspect is not what would be desired in a center of

population, for there are but one municipal school and ten private houses in fair condition, besides five insignificant chino tiendas, though it is true that there are many hovels of next to no importance that need to be repaired annually. The dwellings of the majority of the inhabitants are scattered throughout the different barrios, some of which are in just as good condition as the center of the town, as, for instance, the barrio of San Isidro, which has nearly as many good buildings and as large a population.

I do not believe that this center of population will prosper, considering the customs of the majority of the inhabitants of this province, who prefer always to reside upon the land they cultivate. I therefore have no hopes that Santa Maria will ever be restored to its pristine condition.

There is one very noteworthy thing about the people of this province, speaking of their houses. It appears that they look upon the preservation of the interests of the church and clergy as one of their most sacred obligations and accordingly furnish them everything they need, erecting convents and chapels before municipal buildings, which should be first in the consideration of every people. About two years ago the people of Santa Maria had planned to build a tribunal, but it is only now that they have started work upon it. On the other hand, the least indication from the representatives of the Romanist or of the independents causes them immediately to begin the erection of chapels and convents.

Their governmental and economic administration is excellent and in accordance with legislation, but in their initiative power the religious predominates over every other consideration.

Santa Maria does not belong to the rich nor to the poor class of pueblos; it gets along fairly well, although its present aspect is one of consummate poverty.

Cauayan.—The center of this pueblo is neither pretty nor with tendencies in that direction, but on the contrary it is daily falling into decline, owing to the fact that it has been abandoned by the majority of its residents who, having no interests in the center of population, prefer to live in the barrios where their lands lie and go to the pueblo on Sundays and feast days to hear mass or when some business with the municipality takes them there. This pueblo has only a ruined church and convent, 12 private houses, also half in ruins, several hovels in a most deplorable state of disrepair, and 7 chino tiendas. There are neither schoolhouses nor municipal buildings, the only schoolhouse there being rented, the same thing being true of the presidencia. Many times the pueblo of Cauayan has been advised to improve the center of population, it having the necessary funds, and yet nothing has been done up to the present time, the materials gathered together for that purpose having been allowed to lie and rot away—that is, the greater part of them.

The government of this municipality is somewhat weak as regards some of the councilors, but its financial administration is satisfactory, although the equipment of the municipal offices is rather poor.

Tagle.—This is the new center of the old municipality of Angadanan; it was founded on June 30, 1905, by virtue of a law. Up to the present time, though the municipality has made no notable improvements, but merely transferred the materials of its tribunal, formerly at Angadanan, it can, however, point to the eagerness of its people to reconcentrate in the said pueblo and build their houses there. A proof of this is furnished by the fact that aside from the buildings there when the law mentioned was enacted, it has now 20 new houses, built of strong materials, 4 new stores, and has marked out its streets. Last year the council of this municipality appropriated ₱1,000 for the construction of its municipal building and ₱1,200 for a municipal school, but this work has encountered many difficulties, the first obstacle found being the insignificance of the amount appropriated for the municipal building, and the second fact that the residents wished first to construct their Roman and independent chapels.

Communication between this pueblo and Cauayan and Echague is very difficult during the rainy season, as the least storm makes the rivers impassable; however, the Río Grande de Cagayan furnishes a means of communication with other pueblos.

This municipality had a misfortune during the period embraced by this report. On January 17, 1906, a shortage of ₱1,684.31 was discovered, and as the municipal treasurer was unable to make it good he is now before the courts of justice.

This municipality has not yet been well organized on account of its recent transfer, so that it still lacks its necessary equipment.

PROVINCIAL GOVERNMENT.

I shall not finish the part of this report which shows the dubious condition of several municipalities of this province without describing the present finances of the provincial government, the relations between the provincial officials, among themselves, and with the municipal officials and constabulary officers.

There can be no doubt that the provincial government is in a poor financial condition, as it is scarcely able to meet its annual expenses, and as regards property it has only the provincial jail, all of the other buildings occupied by its different departments being rented. Last year I recommended in my annual report to the governor-general that the sum of ₱20,000 be advanced to the province as a loan for the construction of a provincial government building where all of the different offices of the government might be installed, and as no reply has been received to the proposition I believe it is now my duty to again make the same recommendation, with the amendment that the amount advanced be ₱15,000, inasmuch as if the recommendation is approved by the honorable Philippine Commission several municipalities of this province are disposed to donate a certain amount from their general funds toward the construction of the said building.

The following figures show the poverty of the provincial treasury of Isabela, and make patent the reason why it is unable to erect a provincial building for its offices.

Amounts on hand in the provincial treasury on June 30, 1906:

General funds -----	₱8, 596. 66
Road and bridge -----	6, 324. 19
Non-Christian tribes -----	585. 94
School fund -----	13, 876. 26

The relations maintained between the provincial officials are highly satisfactory, as are those between them and the municipal authorities and constabulary officers.

The provincial treasurer, Mr. John W. Hunter, is an old friend and companion of mine whom I knew in Abra in 1903, and our relations have always been good. It has always been his character to interest himself in the welfare and prosperity of his province, and I am sure that he will continue to do so in Isabela. As he is a new man here I can not mention any notable administrative work of his, but of course I anticipate my satisfaction with him upon my knowledge of him.

The provincial secretary, Señor Eliseo Claravall, is an active and satisfactory official who supports me in working for the welfare of his province.

He has told me, with reference to his visit to Palanan, that the work being done for the improvement of the trail to that place is entirely useless, for the reason that the said trail runs along the bank of a river and will be impassable during the rainy season on account of floods. He says that both banks of the river are flanked by steep cliffs for a considerable distance, and that the said cliffs would permit of the construction of the trail only by the use of dynamite, which would involve great expense. However, he was informed that there was another trail which does not follow or pass any river, but that is quite long. He also called my attention to the urgent necessity of establishing a school at Palanan, as the children are growing up fast and their time for study will soon pass.

The division superintendent of schools, Mr. Henry M. Wagenblass, has made himself a great friend of fathers of families in Isabela, owing to his great interest in the education of the young of both sexes. To him is due the increase in attendance in the schools of this province this year; also to him are due the different voluntary donations made by heads of families.

During the period covered by this report the province of Isabela contributed nearly ₱4,000 toward the construction of the provincial high school, and the building is to be finished in January, 1907. Some ₱1,000 in cash and ₱2,000 in labor were also contributed toward the construction of barrio schoolhouses.

All of the pueblos have sufficient funds for the payment of salaries of teachers this year, but owing to the fact that the refund on account of the land tax for this year is less than the amount collected last year, I believe that they will not have anything for improvements.

A great many difficulties are encountered in finding carpenters able to construct the proposed schoolhouses. This is due to the scarcity of this class of workmen in this province, and also to the lack of interest displayed by municipal presidents.

The progress of education in this province is clearly shown by the following table:

Municipal schools prior to June 30, 1905-----	29
Municipal schools constructed during the period embraced by this report..	11
Municipal schools near completion-----	4
Attendance prior to June 30, 1905-----	2,448
Average attendance this year-----	3,440
Number of Filipino teachers-----	60
Number of American teachers-----	7
Division superintendent of education-----	1

The president of the provincial board of health, Señor Buenaventura Toribio, is an official with whom all are entirely satisfied; he is very courteous and mindful of his duties as provincial doctor.

I am unable to point to any extraordinary work on the part of this official during the period embraced by this report for the reason that there has been no disease of an epidemic character in this province except that attacking carabaos and horses at Echague, for the arrest of which precautions have already been adopted.

The district auditor, Mr. Frank W. Killen, was formerly treasurer of this province, and is very well known by the inhabitants of Isabela. His administration while provincial treasurer was very satisfactory, and I presume that he will give equal satisfaction as district auditor. It was owing to this official that the defalcation of the municipal treasurer of Naguillian was discovered last May.

Capt. Theo. I. Owen, senior inspector of constabulary in this province, is a good officer and energetic in the performance of his duties. I have no complaint to make against him, either as an officer of the constabulary or as a citizen.

Owing to his efforts, cattle stealing, formerly very common in this province, has greatly decreased. His assistance has been of great benefit to the municipalities in rounding up estrays and in the branding of cattle.

He also displayed a great deal of interest in the organization of the municipal police force, which is beginning to give successful results.

The majority of the municipal officials of Isabela are intelligent and conscientious in the performance of their duties; their relations with the provincial governor, constabulary, and officials and employees of the department of education are harmonious, with the exception of a few cases of personal animosities, growing out of an exaggerated idea of their authority.

The only thing that I regret to see is that the majority of the municipal officials display but little interest in the improvement of their pueblos; that they are indifferent to the progress of education, and that they persist in keeping their general funds for the sole purpose of paying municipal salaries. However, they are now beginning to understand, as a result of the repeated recommendations of the provincial officials, the necessity of making a better distribution of their revenues, to the end that all of the people may reap some benefit therefrom. For example, the convention of municipal presidents passed resolutions to have two or three boys or girls, belonging to non-Christian tribes, educated in the municipal schools at the expense of the municipality, and to establish a provincial telephone service.

HIGHWAYS OF COMMUNICATION.

There are two means of communication between this province and the adjacent ones; one by river and the other by land. The latter is in quite a bad condition, owing to lack of funds. The province is unable to improve its roads and can only look after the repair and construction of bridges.

The river is navigable all the year round, when not by launches by bancas.

I am informed that during the former rule the roads of the province were in condition to be traveled by vehicles, but during those times there was the advantage of the *prestación personal* for fifteen days each year. The provin-

cial board of Isabela, realizing the necessity of this labor, recommended the sanction of the proposed road law on June 16, just as I myself had recommended in my last annual report.

POLICE.

The success of the newly organized municipal police force of this province is now becoming evident; the arrests made by the said organization, leading to the punishment of offenders, and its patrol of the barrios, have naturally resulted in driving off cattle thieves.

At the beginning of the organization of this corps I met with a great many difficulties, brought up by the councils of Ilagan, Cabagan Nuevo and Echague, but by dint of explanations they at last saw the necessity for said organization and followed out my recommendations.

Prior to the change indicated it was my observation that the policemen in this province were employed not only to keep the public peace, but also to perform all such other duties as their former captains desired, this being the reason why I took such great interest in the organization.

At present the municipal police of Isabela are drilled under the direction of the senior inspector of constabulary and under my control, the only thing lacking now being uniforms for the men.

JUSTICE OF THE PEACE COURTS.

I have always noted the great deficiency of this administration and the immense harm occasioned thereby to citizens who have recourse to these courts; first, on account of the delays experienced in the transaction of judicial business and, second, because of the most deplorable errors committed by many justices of the peace in the interpretation of the facts as disclosed by the evidence furnished by witnesses which lead to the imprisonment of accused persons who are innocent of any wrongdoing, said errors being due to the weakness of the justices of the peace who allow themselves to be influenced to an undue extent by the suggestions of most any person.

I do not know whether in accordance with the new organization, which will soon be in effect pursuant to the provisions of act No. 1450, judges of first instance will have better luck than the provincial boards have had, as regards the good results of their recommendations, but I doubt it, basing my belief on the fact that it is inconceivable that one single person should be able to see more than the three composing the provincial board, aided by the provincial fiscal. This change of control, to my manner of thinking, implies a very deplorable reflection upon the provincial board, which was not consulted or asked for its opinions regarding the improvement of this service.

Though late, as the reorganization act will soon be in effect in this province, I take the liberty of expressing my ideas regarding the organization of the justice of the peace courts in a manner which I believe will be both adequate and economic, involving the payment of salaries to these judicial officers.

1. The consolidation of the offices of municipal secretary and justice of the peace, with the salary of the former and the fees derived from civil matters.

2. Fees derived from criminal matters to be considered exclusively as municipal revenues, the justice of the peace to receive no allowance from municipal funds for his services in criminal matters.

3. That 2 per cent of fines imposed and collected by justices of the peace be allowed to said officials.

4. That the qualifications for this office shall be that the incumbent be of legal age, of acknowledged honesty, and that he shall have practiced or studied law for one year, the latter qualification to be established by a certificate from the lawyer with whom he has practiced or studied, or that he shall have held the office of notary public or sheriff; also that he shall own property assessed at ₱4,000 or more.

5. That the appointment shall be made by the governor-general upon the recommendation of the provincial board, accompanied by the documents testifying to the qualifications of the person recommended.

I shall explain more fully my ideas as to the qualifications which should be required of the justice of the peace.

1. I am convinced as a result of observations that the municipal secretary has not a great deal of work to do; neither has the justice of the peace, conse-

quently these two offices might well be consolidated and the duties of each performed by the same person on different days of the week.

2. The purpose of the requirement that one of the qualifications be that the justice of the peace must have practiced or studied law for one year, or have held the office of notary public or sheriff, is to avoid delay in the dispatch of business caused by the time employed in solving doubts and in consultations, as now happens with justices; on the other hand, this qualification is necessary in order that the incumbent may not, as now, plead ignorance.

As regards the property qualification, it is in the nature of a guaranty that the justice appointed has an independent income and does not take office for the purpose of exploitation.

With relation to the 2 per cent mentioned in paragraph 3, this will serve as an inducement for the judge to give preference to fines over imprisonment whenever the nature of the case permits of the alternative, as the penalty of imprisonment only serves to add a burden upon the municipal funds.

In order more fully to complete the reorganization it is advisable that in addition to the provisions made by act No. 1450 relative to procedure in any action, another provision be introduced which shall relieve from responsibility only those persons who take direct part in the prosecution or defense, responsibility being exacted only in case of an attorney being employed as it has been observed that the majority of the latter, not being professionals, are wont to encumber the courts and delay the transaction of business.

There should also be a provision that all violations of municipal ordinances shall be tried by the justice of the peace.

POSTAL SERVICE.

The bureau of posts and telegraphs in this province is very well organized, the municipality of Tagle being the only one without this service. This fact makes communication with the said pueblo very difficult.

There is no complaint in the province with regard to the present organization of this department, except from Tagle which, I believe, has a right to complain as the inhabitants are obliged to send a special messenger to Echague where there is a post-office in order to get their mail.

POLITICAL.

No duly organized political party worthy of special mention exists in this province; in each pueblo, however, there are two or three factions, led by the prominent people of the locality, at the head of each of which the oldest and wealthiest member of the party presides; these are the men who act as protégés of the different candidates for municipal office. This explains the reason why the municipalities of this province have never been able to govern themselves, having been always under the influence of the oldest and wealthiest residents.

During the last municipal elections, although the rumors relative to a probable disturbance of the public order did not give any serious cause for worry, coming, as they did, from the faction defeated at the polls in the pueblos of Santa Maria and Gamu, protests were drafted for the purpose of being presented to the provincial board by the disaffected factions. Before being submitted to the board, however, I was able to induce the signers to withdraw them all, by convincing them that the grounds upon which they were based were entirely frivolous.

The majority of the protests rested upon the fact that during the late elections persons voted who were delinquent in the payment of their taxes, or who could speak Spanish very imperfectly, without being able to read or write it.

A great deal of surprise was caused to the directing class by the absolute prohibition regarding intervention of municipal officials or electoral judges who are candidates for any municipal office in the elections, it being claimed that this measure was not adopted during past elections.

The desire for a provincial election expressed after the municipal elections had been held did not come from all of the municipalities, as alleged, but only from Cabagan Nuevo, seconded by Santa Maria.

The facts in the matter developed in the following manner:

Cabagan Nuevo was the center from which the idea emanated. There are three factions there, two of which are vain enough to think that they can

elect their candidate to the office of provincial governor. These two factions cordially hate one another, not only in so far as political matters are concerned, but also as regards their private interests. Don Dimas Guzman is at the head of one and Don Tomás Gatan is at the head of the other. Both men formerly held the office of captain municipal, and are very well-known property owners. In the last municipal election the two factions fought bitterly, the first in favor of the son of the leader and the second in that of Thomas Gollayan, ex-provincial secretary and now municipal president, the latter having been successful, the Gatan faction having obtained a majority of votes for their candidate. Nearly all of the councilors were elected by this faction, which felt very much puffed up over its success, its pride resulting in a demand for provincial suffrage in order to enable it to carry its influence still further.

On January 5, when the newly elected presidents and councilors took their seats, I invited them to the provincial capital in order that we might become acquainted with one another and have an opportunity of exchanging ideas with regard to their plans of government. At this meeting President Gollayan, carried away by his desire for the office of provincial governor, was able to encourage the other presidents and councilors to sign a petition asking for the return of the right of suffrage to this province, telling them that the natives of Isabela have no less a knowledge of the government of their own province than the foreign element, whatever it be. These words immediately excited the minds of the members of the convention and, as a result thereof, on the following day Gollayan and others went to the acting provincial treasurer and handed him a document in which they had expressed their desires for a provincial election, saying that inasmuch as the deplorable insurrection led by Tomines had ended, the prohibition as regards provincial suffrage should also cease. When the facts were reported to me I immediately recommended my provincial secretary to inform all of the municipal presidents of the recent resolution of the Philippine Commission relative to this matter, and to advise them at the same time that it would not be prudent to add fuel to the flames when even the recommendation of Governor Curry had been denied.

This hushed up the matter throughout the province with the exception of the pueblo of Cabagan Nuevo, which continued to agitate the question, priding itself upon having been its initiator.

When Guzman learned that the opposition had broached the question of provincial suffrage, he followed suit, though I do not believe that he really thinks that it is needed in this province. His purpose was to have his candidates figure in the municipal elections and to share the glory of having initiated such a movement. As a matter of fact, these two leaders of the opposing factions took a serious view of the matter and, though the result of their efforts was sterile, no person ever came to their house who was not told about the matter, and to a certain extent these men went so far as to aim their desperate machinations at me, telling the ex-provincial treasurer, Mr. Killen, that they are not pleased to see me as governor of Isabela; first, because I am not a native of the province and there are natives who could do as well, and second, because my administration is not adjusted to their own interests. There were, perhaps, other charges of a still more serious character, my grounds for this supposition being that when we went to Tuguegarao, Cagayan, with the honorable secretary of the Interior, this high personage was alarmed by stupendous news consisting of reports that the pueblos of Isabela would rain petitions for provincial suffrage and complaints about my action in gathering up estrays and using them for my own benefit. With regard to these reports the secretary of the Interior said nothing until we arrived in the vicinity of the settlement of Mayoyao, to which place I had acted as guide, when he told me what a friend of mine had told him. I do not know whether the secretary of the Interior learned the truth of these reports, but I am almost certain, as regards the estrays, that the old saying that from nothing nothing can be got, will here prove true.

Shortly after the trip of the honorable secretary of the interior through this province I learned that the council of Cabagan Nuevo did not remain quiet on the occasion of his visit to that town, as it presented a motion soliciting a provincial election through the municipal president, Thomas Gollayan. Cabagan Nuevo is the only municipality I know of that presented such a motion, as the other municipalities did not support the idea and remained silent. Their attitude was confirmed by the municipal presidents at their convention, held on May 6, when Gollayan, again taking up the question of provincial suffrage, put it up

to them, with the result that the presidents emphatically replied that they were not disposed to second him, as they are in conformity with the resolution of the Commission and fear that the scandals of the year 1903 might be repeated in this province.

On the other hand, Guzman is now organizing a committee to be sent to the governor-general in order to petition for the return of provincial suffrage, or, in case that suffrage can not be granted, for the appointment of a native of Isabela as governor, the name of Don Vicente Masigan, at present register of deeds at Cagayan, having been mentioned in this connection. Several presidents have also informed me that Señor Masigan had advised them that he would send another form of petition, written by himself, and which was actually received by some of the said presidents, but that they did not support the petition, as they considered it unjust to ask that another man be appointed during the term of the present incumbent. They, however, fear that the men responsible for the petition will be able to induce members of the factions defeated at the last municipal elections to sign the petition with the hope that when their candidate rises to power through their efforts they will be able to revenge themselves upon the members of the opposition.

It is said that the leaders in this movement who are making the rounds of the pueblos for signatures to the petition are Don Leopoldo Palogan and Don Gregorio de Leon. The jurisdiction of the former lies between Santa Maria and Ilagan, and of the latter from Gamlu to Echague.

For my part I will say that it is truly sad to have to deny the existence of sane intelligence in this province. It is true that there are some educated young men, but they are few in number and make no impression on the political scales for the very reason that they are very much opposed to old usages. The fact that these young men are not supporters of any of the opposing factions, nor the parasitic adulators of any man, being sincere in their sentiments and expressions, is sufficient to condemn them to disqualification for any elective office.

The citizen here who has an opinion of his own and who interprets the laws in a democratic spirit, without being influenced by any of the leaders of factions or prominent persons in authority, must be content to remain in oblivion, as he will never be elected to office, owing to the exactions of the dominant elements. For all that, I do not mean to say that none of the young men hold important offices at present in the municipalities; they do, but, unfortunately, they are in the minority and can never be brought prominently before the public nor do any good to their province. However, if the honorable Philippine Commission should some day think of extending suffrage to the province of Isabela, I believe that by the year 1908 pernicious customs will have disappeared sufficiently and these young men will have imbued their fellow-citizens with democratic ideas to an extent that will make possible the granting of the franchise, at the same time that the inhabitants will have learned their lesson well during the time that they have been deprived of suffrage.

I was twice informed of the return of Pantaleon Villafuerte and his band to this province, but the reports were not confirmed, nor was there any sign of the said band. However, on the 25th of June I received word from the teniente of the barrio of Palanan regarding the entrance of the said band, consisting of 20 men carrying rifles, into the said barrio and of the sacking of nearly all of the houses, the outlaws carrying away with them even furniture and crockery. This band inflicted no personal injuries.

CRIME.

During the fiscal year—that is to say, from July, 1905, to July, 1906—there were 7 murders. Four of the cases have been tried and the culprits sentenced by the court of first instance during its last sittings in this province; the other 3 are still pending. All of these crimes were committed separately and do not bear the least relation to the political condition of this province; on the contrary, the small number indicates the pacific character of its inhabitants.

There have been other isolated cases of crime, such as carabao stealing, etc., all of them without any political importance.

AGRICULTURE.

Agriculture is very much neglected in this province except on the estates commonly called haciendas. Tobacco is the only product which is the object of commerce, and it has decreased in quality a good deal, owing to the remarkable neglect of farmers.

It is principally due to this reason that the price paid for Isabela tobacco during recent years has been extremely low. Growers have complained bitterly of this to buyers, without taking into account the fact that they are principally to blame, although, on the other hand, they lay the blame on the Dingley tariff, which, the merchants say, prevents them from selling their tobacco in an advantageous market.

The best organized and finest private property is to be found in the haciendas, which, though they have brought great advantages to the province, as to them only is due the fact that the financial stringency in Isabela has been recently somewhat relieved, yet it can not be denied that some of the managers of these haciendas in a measure restrict the liberty of their tenants. A great effort has been observed on the part of the said haciendas to improve known methods of cultivation of tobacco and to establish the system of cooperative labor, very beneficial for small farming.

The only product in Isabela that is of any interest or worthy of mention is tobacco. It is true that some rice and corn are cultivated, but in such insignificant quantities that they do not suffice for one-fifth of the residents of this province.

I have often endeavored to induce the inhabitants of Isabela to give preference to the cultivation of crops of prime necessity and that they devote their efforts to the cultivation of secondary crops only after raising enough here to obviate their having to import food from other provinces. This action on my part displeased some merchants, who do not like to see Isabela decrease its tobacco crop or to substitute it by another.

FORESTRY.

There is a great wealth of timber in Isabela, which has scarcely been touched. The only lumbering done up to the present time has been near the headwaters of the Pinacanauan River, on both sides, and at the places called San Mariano and Catalangan, this being sufficient to supply the needs of all the pueblos from Ilagan to Alcala, Cagayan.

The house of Baer, Senior & Co. has started work on the immense forests on its hacienda de Maluno, using a Decauville tramway and windlasses for getting out large logs.

If the grantee on the Pinacanauan River at Ilagan would use like methods the lumber business of Isabela might be considered large.

There are many kinds of gums in this province, but no one is engaged in utilizing these forestry products.

BAGUIO.

On December 18, 1905, a storm broke in the southern part of this province which almost completely destroyed all of the plantations, all of the tobacco fields being flooded, causing the complete loss of the plants set out and seeded and demolishing many houses and stores at Echague and Cauayan, where the storm was most violent.

On May 17 of this year, at a time when growers hoped for an abundant and good harvest from the shoots set out in January and February, another storm broke in the southern part of the province, causing a great deal of destruction in Echague and the loss of a great number of tobacco leaves of good quality on the plantations near Echague and Tumauni, for, to the great misfortune of the long-suffering inhabitants of Isabela, the storm came just at the time of cutting. This bagulo also caused great destruction of houses and crops at Palanan. The loss to the province in both storms is estimated at ₱150,000.

REMARKS.

One of the things that the inhabitants of Isabela have considered as of the deepest interest to them is Chapter IV, section 33, of act No. 926, which fixes the time for the presentation of applications for free patents to native settlers.

As a matter of fact, the application of the said law to the inhabitants of Isabela will bring the most deplorable consequences, for it is doubtful if 3 per cent of private holdings have titles from the Spanish Government, and, although many applications for free patents and homesteads have been filed since the beginning of this year, I am quite sure that 90 per cent of the persons in possession of government lands have not yet made their applications; first, because they have not the forms of making them, and, second, because it is only recently

that they have understood the provisions of the said law, owing to the neglect of the provincial and municipal authorities in office prior to that time.

Calling attention to this fact appears to be idle, inasmuch as six months still remain for them to file their applications, but as the occupants who have so far failed to make their applications are very poor it will be impossible for them to incur any expense, however small, and consequently they require more time, unless they are to deprive themselves of more peremptory needs demanded by their duty to their families.

The time granted by the law works hardship all around; for the provincial government of Isabela because it loses the hope of increasing its population by Ilocano immigration which annually comes to this province and which in future will have no guarantee of being able to obtain title to the lands taken up.

If act No. 926 were to be extended for one year more as regards lands in the possession of private parties, or, say, until December 31 of this year, and if the immigrants recently arriving in the province of Isabela were to be given three months' time after their arrival in the province to present their applications for concessions of State lands, a great favor would be conferred upon the inhabitants of Isabela in particular and upon Ilocanos in general.

I have also observed that act No. 1147 far from conferring any benefit upon municipalities, at times does them harm, taking into account the procedure followed till now by certain justices of the peace courts in not imposing the maximum fine authorized by the said law upon infractors and the number that still remains of cattle that are not registered.

Certain justices of the peace courts never impose a fine of more than 3 pesos or as high as that amount—because of certain considerations, of course—and naturally the municipal treasury, where the fine is less than 3 pesos, instead of making anything or coming out even, has to pay for fees of justice of the peace the difference between the fine and the 3 pesos; in such cases the justice of the peace not only sentences the infractor of the law, but also the municipal treasury, all for his sole benefit.

Said act No. 1147 should be amended so that the minimum fine for infractors would be 3 pesos, or jurisdiction should be given to the municipal treasurer to impose the fine for delinquency, thus entirely taking the matter out of the justice's court, and then the treasury would suffer no harm.

NON-CHRISTIAN TRIBES.

The non-Christian tribes of Isabela live in 10 settlements, each having from 6 to 8 barrios.

These settlements are called Mayoyao, Bunsian, Cabatuan or Sili, Ballucu, Nal-lauagan, San Mariano, Rugao, Butigui, Guinabual, and Domabato, the first two and the last having been organized by Governor Curry in accordance with the provisions of act No. 1113 as amended by act No. 1397; all of the others were organized by me under the provisions of section 61 et seq. of act No. 1397.

Mayoyao, Bunsian, Cabatuan, Ballucu, Nal-lauagan, Butigui, and Guinabual are on the eastern skirts of the central range; Rugao and Domabato on the right bank of the Rio Grande de Cagayan, and San Mariano on the right bank of the Pinacanauan of Ilagan.

There are many groups or families of Negritos in this province, but as this tribe has no future I refrain from dwelling upon it.

The above-mentioned settlements can be civilized, a proof being given by their having constructed their tribunales, permitted their children to be educated, and of having borne their share of the work on roads.

During the last month of the term of the provincial school at Isabela three members of non-Christian tribes belonging to the settlement of San Mariano were graduated, and now that the classes have again been opened at the said school, others are expected from other settlements.

I also hope that the road uniting this province with Labuagan, Lepanto-Bontoc, will be carried through as the inhabitants of Butigui and Guinabual have volunteered their services on said road. It is being built in accordance with the recommendation of the secretary of the interior.

When I made the trip to meet him in Vigan it took me five and a half days to go across the mountains to Vigan, passing through Tabuc, Nanong, and Labuagan. I can see a great future for the Ilocanos when this road is finished, as then they will need only five days from Abra to Isabela, while now it takes from eighteen to twenty days by any of the roads used by immigrants via Nueva Vizcaya or Bangul.

The inhabitants of the settlement of San Mariano have also started to improve the road to Palanan, all of their work being voluntary.

When the honorable secretary of Interior was at Cabatuan he offered the inhabitants funds to improve their tribunales, but they would not accept the offer, saying that the government should use that money for other things that they themselves can not make.

The practice of these tribes to kill anyone not of their settlement is gradually disappearing, owing to the constant efforts of the authorities to do away with this custom.

This habit formerly having a great hold upon the non-Christian tribes, had its origin in the bad treatment they received from certain Christians. During the past rule they were scarcely ever considered in any way, while the Christians were always indulged and protected by the authorities.

That something still remains in the Christian pueblos indicative of their treatment of the non-Christian tribes is proven by the fact that in my recent trip to meet the secretary of the Interior I received several complaints, when traveling to Labuagan, from the inhabitants of the settlements of Tabuc and Nanong against certain residents of the barrio of Aggub of the exmunicipality of Santo Tomas, now Cabagan Nuevo, with regard to 6 carabaos and 5 horses, the property of the said tribe that the people of Aggub have been holding for the past four years, deceiving the owners who had hired the carabaos, and threatening to declare the horses estrays.

The tribe referred to acknowledged to me that they recognized the value of my advice not to kill anyone, but said that if the authorities would not attend to their interests, as they believe that they will not, as they have gone to the exmunicipality of Santo Tomas on various occasions without results, no other course would be left open to them than to take matters in their own hands and settle with the Christians by violence.

I promised to remove the cause of the complaint, and gathered the necessary information, which I sent to the municipal president of Cabagan Nuevo by Lieut. Joseph T. Hanlon, who accompanied me on the trip, and when I returned I reminded the president of the matter, but he told me that he had taken no action for the reason that the surnames of the persons complained of did not appear, and because it was a matter of long standing.

Notwithstanding these excuses of the president who, I believe, has failed to take action in the matter, because he fears to implicate certain men of wealth and ex-officials of the municipality of Santo Tomás, I told him to do everything he could and to summon the complainants in order that they may point out the persons they complain of in view of the fact that they do not know their surnames.

Up to the present time I do not know what action the president of Cabagan Nuevo has taken, and as I suspect that the delay is due to his desire to bolster up some defense in favor of the parties complained of, I have asked for the information in possession of the president in order to turn the matter over to the provincial fiscal.

The method pursued by certain Christians in doing business with the Calingas always results to the prejudice of the latter on account of breaches of contract on the part of the Christians; hence the implacable hatred of the Calingas for the Christians and the fact that they often take vengeance into their own hands.

RECOMMENDATIONS.

1. That municipal treasurers be appointed from eligibles of the civil service.
2. That the municipalities be given power to expend a portion of their general funds for the education of members of non-Christian tribes.
3. That the provincial government of Isabela be granted a loan of ₱15,000 for such time as the honorable Philippine Commission may consider fair.
4. That the honorable Philippine Commission authorize the municipal councils of Isabela to make voluntary donations to the provincial treasury for the construction of a provincial building from their general funds.
5. That the provincial board of Isabela be authorized to expend 5 per cent of the fund for nonchristian tribes for the roads leading to Labuagan, Lepanto-Bontoc, and from San Mariano to Palanan, Isabela.
6. That the system of organization of justice of the peace courts explained in this report be adopted.
7. That the extension of time suggested by me in this report for the filing of applications for free patents and homesteads be granted.

8. That act No. 1147 be amended so that the municipal treasury shall suffer no loss when a justice of the peace imposes a fine upon an infractor of less than ₱3.

9. That a branch of the mail service be established to the municipality of Tagle, Isabela.

I finish this report by saying that if my report for last year is in contradiction with this one as regards the description of the people of Isabela, the explanation is to be found in the fact that when I wrote before I had just arrived in this province and had but little knowledge of them and by the fact that it was my purpose then to write an optimistic rather than an alarming report, not wishing to trouble the honorable Commission over a thing that I myself was not quite sure about.

The description that I have just given in this report shows the true situation in Isabela; of this I have not the least doubt.

Respectfully submitted.

BLAS VILLAMOR,
Governor of the Province of Isabela.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF LA LAGUNA.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF LA LAGUNA,
Santa Cruz, July 1, 1906.

SIR: I have the honor to submit for your consideration the following report for the fiscal year ending June 30, 1906, in accordance with the provisions of act No. 1044.

AGRICULTURE.

In my last report it was stated that the principal agricultural products of the province are cocoanuts, rice, hemp, corn, and others of minor importance.

Although lack of animals is the cause of the depression of agriculture, it appears that owners of irrigated lands (other lands are not cultivated) made an effort to duplicate their crops during the past twelve months, when the comparison is made with former years.

As a matter of fact, for the period ending June 30, 1905, there was a crop of palay amounting to 223,936 cavans, equivalent to 111,936 cavans of cleaned rice, worth then ₱559,840, while during the past year that amount has been doubled, inasmuch as 450,000 cavans of palay were harvested, making 225,000 cavans of cleaned rice, which, at an average price of ₱5 the cavan, makes a total value of ₱1,125,000.

The principal agricultural product of La Laguna is the cocoanut. It is estimated that during the year 100,000,000 nuts were gathered, 18,202,180 in excess of last year, when 81,797,820 was the crop. From the former total 63,221,000 nuts (63 per cent) can be taken as representing the number used for copra; 14,089,000 as that used for oil (14 per cent), and the balance, 22,690,000 (23 per cent) as the amount sold as gathered. The latter brought ₱18 a thousand, or a total of ₱198,558.

During the fiscal year 1904-5 the amount of cocoanuts used for copra was only 38 per cent, which proportion was increased to 63 per cent this year, as shown above, demonstrating that copra brought a good price in the market this year.

Another product which is destined to be of considerable importance in this region is hemp, considering that last year only 12,592 piculs were harvested, while this year the amount increased to 50,000 piculs. The average price paid was ₱19 a picul, consequently the province sold ₱950,000 worth.

The pueblos of Paete, Panguil, Pakil, and Lumban are energetically devoting their efforts to the cultivation of the abaca plant, and there can be no doubt that within a short time they will see these efforts crowned with success and will rank with the foremost pueblos of the province in agriculture.

It is estimated that during the past twelve months 25,000 cavans of corn were harvested, which shows an excess of 11,287 cavans as compared to the 13,713 raised last year. The average price was ₱2 per cavan, making a total of ₱50,000.

COMMERCE.

This section will deal solely with the mercantile transactions carried through during the past fiscal year in the different pueblos of the province.

In order to be as brief as possible, I believe it advisable to give the information in a small detailed table, including all sorts of business, stores, etc., such as the following one:

Pueblos.	Value of business during 1904-5.	Increase 1905-6.	Total fiscal year 1905-6.
Binan	₱104,194.30	₱925.26	₱105,119.56
Calamba	223,976.16	838.37	224,814.53
Calauan	12,667.96	28.73	12,696.09
Cabuyao.....	49,597.24	485.83	50,083.07
Lillo	33,657.56	19.65	33,677.21
Los Baños	970,087.66	865.28	970,952.94
Lumban.....	34,186.92	158.27	34,345.19
Luisiana	16,179.58	378.00	16,557.58
Magdalena	23,047.22	.....	23,047.22
Majayjay.....	13,664.42	612.71	14,277.13
Mavitac	5,385.48	.....	5,385.48
Nagcarlan	165,537.30	.....	165,537.30
Paete.....	206,934.00	10,617.98	217,551.98
Pagsanjan	400,059.96	118,560.18	518,620.14
Panguil	37,356.66	2,414.12	39,770.78
Pila.....	32,343.12	1,840.69	34,183.81
San Pablo	408,692.50	12,853.70	421,546.20
Santa Cruz	730,606.30	70,323.47	800,929.77
Santa Rosa	46,601.22	99.15	46,700.37
Siniloan.....	36,305.06	113.03	36,418.09
Total	3,551,080.62	221,133.82	3,772,214.44

The total shown by the above table includes import and export operations that therefore are subject to the provisions of act No. 1189, and pay one-third of 1 per cent on sales. It is hereby reported that a considerable number of tiendas have not paid any taxes to the treasury, for the reason that section 142 of the said act exempts them from payment of same when their sales are less than ₱500 a year.

The preceding table also shows the largest business was done at the municipalities of Los Baños, Santa Cruz, Pagsanjan, and San Pablo. At first sight it appears unlikely that the municipality of Los Baños, which has an insignificant number of inhabitants, should take first place. It is quite natural, however, as the said town is consolidated with the pueblo of Bay, the business center par excellence of La Laguna, and the shipping point for all of the commercial, industrial, and agricultural products of the town of San Pablo (which has over 30,000 inhabitants) and of the pueblos of the northern part of Tayabas Province.

The table mentioned does not show the exports of copra to the Manila market. On account of the importance of this product it deserves special mention, as follows:

Shipments of copra.

Point of shipment.	Number of piculs.	Philippine currency.
Santa Cruz	67,913	₱334,673.94
Pagsanjan	6,078	35,902.37
Bay	115,672	699,676.42
Total.....	189,663	1,070,252.73

A comparative study of commercial conditions in the province can not be made here for the reason that there is no information regarding past years, but next year it can be done.

FINANCE.

In reporting the economic conditions of the province for the fiscal year ending June 30, 1906, I respectfully invite attention to my report for the fiscal year ending June 30, 1905, which was incorporated with and published as a part of

the fourth annual report of the executive secretary to the governor-general, corresponding to the period between October 1, 1904, and September 30, 1905, pages 309 to 322, inclusive.

It will be seen in said report that this office reported in detail the financial transactions of the provincial treasury by means of tables and statements on different aspects of the subject, and the same thing will be done for the present fiscal year.

In 1905 the assessment reached the sum of ₱22,000,000, and upon this amount the tax collected was ₱204,899.45, and Pfs. 6,138.77 (the maximum rate of taxation on land is seven-eighths of 1 per cent). It appears that while the tax upon the assessment of ₱22,000,000 was only ₱193,000, nearly ₱210,000 were collected, owing to the collection of amounts due by delinquents for the years 1903 and 1904, which were paid in the year 1905.

Act No. 1445, approved February 19, 1906, ordered the suspension of the collection of the land tax in the Philippine Islands, with the exception of the city of Manila, during the year 1906. Said law provided for the refund to provinces and municipalities of the amount that they would fail to collect as a result of the suspension, and in this way the province of La Laguna received from the insular treasury the sum of ₱209,630.85. To this amount we must add ₱144,804.98, which is to be collected from delinquents for 1903, 1904, and 1905 in 1906 (of which amount ₱87,836.56 were collected between July 1, 1905, and January 1, 1906).

According to my report for the fiscal year 1904-5, the sum of ₱20,000 had been collected for industrial taxes. This source of revenue was eliminated by act No. 1189, the internal-revenue law.

The next most important revenue after the land tax is that derived from cedulas, which in this province amounts to—

Amount corresponding to the province.....	₱21,603
Amount corresponding to the municipalities.....	21,603
Total.....	43,206

Next in importance to cedulas comes internal revenue, which is distributed as follows:

10 per cent corresponding to the province.....	₱7,324.05
15 per cent corresponding to the municipalities.....	10,986.08
75 per cent corresponding to the insular government.....	54,930.38
Total.....	73,240.51

It is respectfully recommended that the distribution be made in the following form: 50 per cent to the insular government, 10 per cent to the provincial government, and 40 per cent to the municipal governments, of which latter amount two-thirds shall be devoted to the maintenance of schools.

I have mentioned the important sources of revenue—the land tax, the cedula tax (a part of the internal-revenue tax), and the internal revenue. As regards my recommendation for the division of internal revenues (except the cedula tax, which is properly distributed between the province and the municipalities), I would state that in my opinion two great defects have been found, by experience, in the tax system as regards provincial revenues.

First. The seven-eighths of 1 per cent of the land tax (i. e., seven-eighths of the assessed value of real estate, which is the rate of taxation on land) is distributed as follows: Two-sevenths to the province, four-sevenths to the municipalities (one-half to schools), one-seventh for roads and bridges.

The defect consists in that the one-seventh set aside for roads and bridges is insufficient under present conditions. If roads and bridges were in first-class shape it might be sufficient, as then only maintenance would be required, and in that event the one-seventh would fulfill properly the ends of the law.

Second. It also consists in that the two-sevenths of the land tax and one-third of the 15 per cent of the internal revenue devoted to school purposes is not sufficient for the proper maintenance and support of the schools. It would be sufficient, in my opinion, if all the municipalities and barrios had school-houses, furniture, etc., but only a small number are in such circumstances and, as is natural, the sum set aside for this purpose, after paying salaries of teachers, rent, etc., is quite inadequate.

Besides the revenues above mentioned the province gets a small income from the cart tax, which is used for roads and bridges; a small income from the fees

for registration of land, which is devoted to miscellaneous services under the head of general funds; but this is only a reimbursement to the province, inasmuch as the majority of this revenue comes from the sale of property to the municipalities.^a

The statement of municipal balances on June 30, 1906, compared to that for the fiscal year ending June 30, 1905 (see page 321 of the report of the executive secretary), shows a notable increase, amounting to 33½ per cent. The balance of municipal funds at the end of the fiscal year 1905 for schools amounted to ₱35,522.08 and for general funds to ₱29,384.84, but at the end of this year the balances were ₱53,648.39 and ₱39,963.98, respectively. The latter balances show us that the economic condition of the municipalities is satisfactory.

Attention is respectfully invited to the statement of provincial balances, and to the items under the head "appropriation ledger." It will be seen that ₱55,000 have been appropriated for proposed public works, without counting ₱43,000, a sum which has not been appropriated to the present time but which is fully covered by the balance of provincial funds, amounting to ₱113,407.71 on June 30, 1906.

The most considerable expenses have been made and will continue to be made during the coming fiscal year in connection with roads and bridges. Aside from this work the following provincial buildings will be erected: The government house, the high school (to cost about ₱80,000), and the provincial jail, which will be rebuilt in accordance with the Burnham plans. In addition two or three artesian wells will be driven. The reconstruction of the jail, which has been carried forward in accordance with the plans and wishes of the director of prisons, is nearly finished, and when completed will give the province one of the most modern prisons in the islands, both on account of its security and its sanitary conditions. It will have a capacity for some 400 prisoners. It is provided with baths, tanks, latrines, searching and measuring room, etc. A safe estimate places the cost of the reconstruction at ₱10,000.

Work having been completed on the important road from Bay to San Pablo, to the incalculable benefit of the commercial, industrial, and agricultural development of the said pueblos as well as of others in the province and in that of Tayabas, special attention should be given to the construction of the no less important road from Magdalena to San Pablo via Lilio and Nagcarlan. The district engineer and provincial treasurer propose immediately to begin this work—that is to say, immediately after the convention of municipal presidents and counselors takes place next November, as it will be they who will decide upon the advisability or inadvisability of the application of the road law to this province. In my opinion the said convention will approve the provisions of the law to which reference has been made.

In the same manner the repair of the road between Mavitac and Lumban, the construction of a bridge over the Lumban River, the repair of the road from Pila to Calauan are works which in future will need the attention of the provincial authorities, all of them being of indispensable necessity.

PUBLIC INSTRUCTION.

Without doubt of any sort public instruction has always deserved the special attention of the provincial and municipal authorities and the interest and zeal of the division superintendent of schools and teachers.

^a The following financial statements accompany this report and are on file in the War Department:

Municipal and joint taxes collected.

Total provincial taxes collected.

Total reimbursement or refund under act No. 1455.

Total land-tax reimbursement received.

Land tax unpaid.

Provincial high school disbursements.

Municipal transfers.

Internal-revenue collections.

Internal-revenue refund.

Disbursements.

Exchange.

Road and bridge funds.

Provincial and municipal accounts.

During the fiscal year the average daily attendance at the 94 schools in the different barrios and pueblos of the province has been 10,500 children of both sexes, who are under the care and control of 8 American, 9 Insular and 175 Filipino teachers.

There is also a good attendance at the high school temporarily established at the pueblo of Pagsanjan, though not as large as when the school was at Santa Cruz. This is due to the fact that with the high school at the pueblo first named those of the south, west, north, and even part of those of the east of this province find it more expensive to send their children there than it would be to Santa Cruz, aside from the extra cost for the trip from Santa Cruz to Pagsanjan, as steamers do not reach the latter pueblo at all seasons of the year.

The provincial board, not desiring to act on its own account in a matter that directly concerns all of the municipalities in general, sought the opinion of the same with relation to the advisability of constructing a high school at Santa Cruz. The municipal councils, without loss of time, called a mass meeting of the residents in their respective jurisdictions, and by a popular vote only three pueblos declared themselves in favor of Pagsanjan while the seventeen others chose Santa Cruz.

Aside from the circumstance that Santa Cruz is the capital of the province, it should be borne in mind that it is twice as large in population as Pagsanjan, for the latter has only 6,361 inhabitants while the former has 12,747 inhabitants. In commercial importance, industry, and agriculture, Santa Cruz is also superior, having had a commerce amounting to ₱800,929.77 (see page 305 of this report) against ₱518,620.14 for Pagsanjan. In copra, Santa Cruz made shipments valued at ₱334,673.94 and Pagsanjan to the amount of only ₱35,902.37.

I will not finish without first calling your attention to the municipal balances, corresponding to the fiscal year 1905-6 for school funds, amounting to ₱53,648.39, a gain of ₱18,126.31 against last year.

In spite of the considerable amount available for public instruction, it is insufficient to maintain education at the level which it deserves; and it is for that reason that the recommendation was made (page 306) that 40 per cent of the internal revenues (except registration certificates) be given to the municipalities with the proviso that three-fourths shall be used for school funds.

The province has appropriated the sum of ₱20,000 for the construction of a high school at Santa Cruz, in addition to the ₱10,000 offered by the department of public instruction, which makes a total of ₱30,000 to be invested in this work of so much importance to the general welfare of the province.

The building will be erected on a beautiful stretch of land which has been donated to the provincial government and which is sufficiently large for agricultural and other similar experiments.

FACTORIES.

Copra is used as a raw material for the manufacture of cocoanut oil. Ten thousand nuts are required to make two tinajas of oil, of 16 gantas each (48 liters) and the average market price for same is ₱7.

The following table shows the value of the sales made during the fiscal year ending June 30, 1906:

Date.	Number of factories.	Value of sales.
1905—July	386	₱14,038.80
August.....		16,615.10
September.....		14,761.15
October.....		9,470.10
November.....		9,633.15
December.....		10,345.02
1906—January.....		12,760.18
February.....		14,831.01
March.....		15,981.72
April.....		16,832.13
May.....		18,784.42
June.....		14,462.74
Total	386	168,465.52

The following list gives the names of the municipalities producing the largest amount of cocoanut oil:

Municipality.	Number of factories.	Value of sales.
Lillo	86	P27,940.10
Lumban	4	2,488.52
Luisiana	15	4,351.36
Magdalena	28	15,762.30
Majayjay	45	12,203.04
Nagcarlan	124	29,882.24
Pagsanjan	18	25,612.00
Pila	23	7,920.41
San Pablo	33	42,805.55
Total	386	168,465.52

The following table gives the sales of distilled spirits made by the distilleries in the province:

Date.	Number of distilleries.	Value of sales.
1905—July	49	P3,879.50
August	49	2,608.40
September	48	2,090.30
October	48	1,178.30
November	50	1,493.20
December	49	1,629.80
1906—January	46	1,595.90
February	53	1,670.42
March	54	1,872.60
April	54	1,979.30
May	54	1,656.30
June	54	989.65
Total .....	.....	22,643.67

The distilleries above referred to were in existence prior to the enactment of the internal-revenue law (act No. 1189), though their number appears to have increased somewhat since that time. Cigar and tobacco manufactories have sprung up since the enactment of the law, none being known of in this province before it came into effect. However, their production is insufficient to meet the demand for local consumption, the importation of cigars and cigarettes from Manila, the value of which is included in the table given on page 305 of this report, being considerable.

The following table shows the number of cigar and tobacco factories in the province and the value of their output:

Period.	Cigar factories.		Tobacco factories.	
	Number.	Value of output.	Number.	Value of output.
1905.				
July	7	P55.40	16	P352.04
August	7	48.80	18	358.67
September	8	47.40	18	261.84
October	9	57.10	18	323.44
November	9	59.22	20	358.74
December	9	42.50	18	230.80
1906.				
January	9	38.00	19	330.92
February	10	31.90	18	214.68
March	9	39.40	18	442.02
April	9	34.30	19	220.00
May	11	23.78	22	219.00
June	11	36.00	22	183.00
Total .....	.....	513.80	.....	3,495.15

MINES.

The following table shows the mining entries that have been recorded under the provisions of the act of Congress of July 1, 1902, since my last report, which showed that there were nine mining claims in the province, located in the municipalities of Panguil, Paete, Calamba, and Los Baños, of which only the kaolin mines have been worked.

Municipalities.	Name of claim.	Date of registration.
Calamba.....	Rosario	January 30, 1906.
Do	Remedios	January 31, 1906.
Los Baños	Honotaro	Do.
Calamba.....	Progreso	February 7, 1906.
Los Baños	Ciriaca	February 23, 1906.
Do	Paz-Maria.....	March 6, 1906.
Nagcarlan	Cabuyaw	June 21, 1906.
Do	Atimla,	Do.
Calamba.....	La Fortuna	August 7, 1906.

POLITICAL CONDITIONS.

The relations between the provincial and municipal authorities and the residents and inhabitants of La Laguna are harmonious. Among the intellectual and enlightened there are some who are affiliated to different political parties in several of the municipalities, though there are no organized committees of the said parties yet in existence. The largest group is formed by the Federals.

The provincial government has not had occasion to intervene at any of their meetings, as in spreading their ideas the members of political parties have acted well within the law.

However, the majority of the people, especially the agricultural class, take little or no interest in politics. Content in the full enjoyment of their individual rights, they devote all of their efforts to their regular avocations, caring nothing for political struggles, from which they hold themselves aloof as a check on agricultural prosperity.

The freedom of worship—that is to say, the religious liberty granted by the act of Congress of July 1, 1902—is well understood by the inhabitants of this province. In the majority of the municipalities, in addition to the Roman Church, there are Aglipayan chapels and Presbyterian churches, the inhabitants of a single pueblo being often divided between the three denominations without that fact giving rise to any disturbance resembling rioting or moral or material perturbation. They follow their separate cults and shake hands over religious disputes and questions. Persons disaffected or discontented with the government are unknown. There may be some, but if so they are of a passive kind, as there have been no acts which might have merited the attention of the government.

A natural and logical consequence of this state of things is that good order and tranquillity are every day becoming more firmly established, thereby making the work of the administration in this province more propitious and efficient.

PUBLIC HEALTH.

During the period embraced by this report the sanitary conditions of the province have been relatively satisfactory.

The appearance of Asiatic cholera in some of the pueblos, with particular virulence in that of Siniloan, resulted in energetic measures being adopted for stamping out the disease. After a few months it was localized, and if any cases still exist they are so few and isolated that they may be considered as of not much importance to the public health.

Between January and June, 1906, a general vaccination was carried through in the province for the purpose of avoiding the ravages of smallpox, in case it should break out with alarming symptoms. Fortunately the fears of the people were not confirmed, as if there were any cases they were very few.

Respectfully submitted.

JUAN CAILLES,
Governor of the Province of La Laguna.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF LEPANTO-BONTOC.

MANILA, *July 10, 1906.*

SIR: I have the honor to submit herewith my annual report for the year ending June 30 last, this being my third annual report. As I had been granted accrued leave of absence, effective July 1, I was compelled to leave the provincial capitol before the report could be written, and I find that in the hurry of leaving I neglected to provide myself with certain statistical data and can not secure it in time before leaving for the United States to incorporate in this report. One of the worst features of life in Lepanto-Bontoc is its inaccessibility during the rainy season. One has to choose his time to travel from Cervantes to the coast, and mails are frequently a month en route between Cervantes and Manila. This is a condition that we hope to remedy within a year.

Civil government was established in Lepanto-Bontoc a little more than four years ago. Without picturing the conditions which confronted the first civil governor, it is sufficient to say that there has been from the beginning a very marked improvement in the efficient working of the provincial government, the organization being at that time more or less experimental in nature, and a no less noted progress in civilization of the more or less primitive inhabitants of the province, as shown by their implicit obedience to the laws, their cooperation with the authorities in all matters, and their evident desire to learn the principles and workings of successful local government, without which they understand there can be no economic or industrial progress and no sure protection to life and property.

Lepanto-Bontoc has over 80,000 inhabitants, ranging from the well-to-do, educated European and Filipinos to the wildest and most primitive Igorots. But it is safe to say that even among the latter never has there been such respect for law and regard for the life and property of others. Large areas lying between hitherto hostile towns are being opened to cultivation, and the inhabitants of such towns visit each other and trade together without fear of danger. The people make long trips in small parties, carrying articles of trade and but few weapons, and occasionally one sees a single man in a rancheria miles away from his home who has traveled the entire distance alone. The people of Benaul, Nueva Vizcaya, who were never before seen in Cervantes, have made several trading expeditions during the past year, coming by way of Bontoc. Three years ago these things would have been impossible without loss of life.

During the past year only two crimes of a serious nature were reported to the authorities in the entire province. Both of these occurred in the subprovince of Bontoc. In the month of December three persons from the town of Tucucan, near Bontoc, were attacked while camping on a mountain near the town of Agaoa. One of the three escaped, one died later from his wounds, and one has never been heard from since. A thorough investigation, although pointing to Agaoa as the offending town, failed to fix the crime on any individuals. The injured town of Tucucan naturally desired vengeance and proposed to the authorities that they cooperate to wipe Agaoa out of existence after the good old fashion followed in Spanish times.

A short time ago they would probably have proceeded on their own account without asking permission, and in this instance, after the government refused their request, they endeavored to enlist the aid of a neighboring town. But so thoroughly has the fact been instilled into the people of that region that such organized reprisals must cease, and that towns indulging in them will be severely dealt with, that Tucucan at last subsided. The failure of the authorities to apprehend and punish the criminals in this case no doubt precipitated the second murder mentioned above. The blood lust was so strong in some young bucks of Tucucan that, lacking other subjects on which to wreak vengeance, they fell upon an inoffensive little Ilocano boy one night about dark on the outskirts of Bontoc pueblo and killed him with axes. Three persons have been arrested in this case, and it is believed by those conducting the investigation that enough evidence has been secured to convict them. The provincial authorities and the constabulary are keenly alive to the fact that in order to prevent a relapse into the old method of punishing a town for an offense committed by one or more of its inhabitants, criminals must be caught and punished, and every effort is being made to that end. The Igorots of Bontoc, by nature and instinct head hunters, are really tractable people, but

they must be shown that our methods are effective, and be taught by continual precept that it is better that a guilty person escape punishment than that an innocent one suffer. An opportunity to drive that fact home was offered after the last murder. The people of Tucucan who had wanted to raid Agaoa were shown that if such practice were permitted their own town might suffer annihilation and innocent persons killed for an offense committed by two or three of their hot-headed young men.

Other crimes committed during the past year have been principally the stealing of animals, but there has been a notable decrease in stealing over the preceding year. The court of first instance has handled 13 criminal cases during the past year and has convicted 9 persons. The figures for the preceding year were 18 cases and 17 convictions. Conditions in the entire province as regards peace and order are most flattering.

THE PROVINCIAL GOVERNMENT.

Changes in the personnel of provincial officials during the past year are as follows:

Mr. Gideon B. Travis, secretary-treasurer, resigned April 1, after more than two years satisfactory and efficient service. His successor has not been appointed at this writing, but the affairs of that office are being ably administered by Mr. M. R. Wheler, chief deputy.

Dr. Daniel Folkmar resigned his position as lieutenant-governor of Bontoc in April and was succeeded by Capt. E. A. Eckman, of the constabulary. Captain Eckman, by reason of his long residence in the province as an officer of the constabulary and his familiarity with the people, is especially well fitted for the position, and will no doubt render most efficient service.

A considerable territory will have been added to the province when the boundary line separating the Igorot rancherias of La Union and the municipality of Tagudin, in Ilocos Sur, from those provinces shall have been established. By act No. 1403 the provincial authorities of Lepanto-Bontoc were given jurisdiction over the Igorot rancherias mentioned, but in the absence of a definite boundary some trouble arose as to actual jurisdiction. Such disputes will, of course, disappear when the survey ordered by the Commission is completed and the boundary fixed by law. In the month of December the provincial governor, in company with the lieutenant-governor of Amburayan, visited the rancherias taken over from La Union with a view to determining what form of government would be most effective and what rancherias could best be grouped into townships. As a result of the expedition a resolution was passed by the provincial board and approved by the honorable the secretary of the interior, creating three new townships of Sudipen, Santol, and San Gabriel; the previously organized township of Tubaday was joined to Santol under the latter name. Thus the number of organized townships in the subprovince of Amburayan was increased to eight. The inhabitants of the newly acquired territory who have for some time been more or less subjected to illegal exactions by unscrupulous officials of the coast towns, were enthusiastic in regard to the change, as well they might be, for not only are they freed from former unpleasant conditions, but they have a measure of local self-government never before dreamed of. They have their own presidente and local council, chosen by themselves, and their taxes are used for their own benefit.

The addition of Tagudin to Lepanto-Bontoc will extend the province to the coast. It is an important matter in many respects, and will result in great good not only to the province and the people of the interior, but to the municipality and the people of Tagudin. When the road now being constructed between Cervantes and Tagudin is completed the capital will be but one day's travel from the coast, instead of a day and a half or two days, and more important still, the road will be a wagon road. The effect of this decreasing cost of transportation of both imports and exports will be marked, to say nothing of the convenience to visiting officials and tourists, improved mail service, etc. The town of Tagudin, in addition to becoming the capital of the subprovince of Amburayan, and the center of activities of that region, can not but benefit by the traffic, and commerce that will be turned its way with the completion of a wagon road to Cervantes. But for the fact that it has a poor harbor and landing may be difficult and dangerous in some seasons, Tagudin would no doubt rival Vigan and San Fernando as an important shipping point. In any event it is bound to grow and prosper.

The application of the special provincial government act and the township government act to the province during the past year is a matter worthy of comment. Although these laws are practically the same as the laws previously in force, they contain some significant new features, chief among which is the road-tax provision, requiring a tax of 2 pesos or labor for ten days on public work from every male inhabitant between the ages of 18 and 60. The people are not unfamiliar with such a law, as they were in Spanish times compelled to render fifteen days' free labor in road building. There was no objection to the law anywhere, the only objection arising being in regard to where the labor should be performed. The people were generally willing to comply with the law but objected in some instances to going out of their townships. It is to be regretted that, for the first year at least, the people could not be allowed to work out the tax in their own townships, but since by far the most important piece of road work at hand was the Cervantes-Tagudin road above referred to, it was necessary in many instances to disregard the wishes of the people. The result was that many more people paid the tax in preference to working it out than would otherwise have been the case.

The section of the act providing for this road tax should be amended by inserting the words "able bodied," so that the road tax or its equivalent in labor should be required of every able-bodied man between the ages of 18 and 60. It frequently happens that men scarcely able to work and too poor to pay the tax are called upon to render this service. Several such persons have been excused from road work during the past year although there was no authority of law for it.

About 4,000 people have worked out the tax and a somewhat larger number have paid it. A great many delinquents have not yet been called upon to work, owing to the early advent of the rainy season. Since the law provides that subsistence shall be furnished to those working outside their townships, subsistence has accordingly been furnished to the amount during the year of ₱1,772.33. In addition to this expense, 20,378 days of native labor has been paid for, aggregating ₱2,752.65, and 502 days' labor of foreman has cost ₱2,610.50, making, including ₱16.10 expended for timbers, a total of ₱7,151.58 which has been expended in road work.

PUBLIC WORK.

By far the greater part of the above expense has been incurred on the Cervantes-Tagudin road. It was hoped that this road could be opened this year, at least for travel on foot, but the early coming of the rains compelled the suspension of work. However, a trail 4 feet or more in width has been cut through from Cervantes to Suyo, a distance of about 20 miles, following the wagon road grade which does not anywhere exceed 6 per cent. Part of this distance the road has been widened, and except for a few small bridges and a few rock cliffs which must be blasted out, would be passable by horse now. A few months' work will open the entire road to traffic, but it will take much longer to make a wagon road out of it.

In addition to this work, the Bontoc-Lubuagan-Balbalasan trail has been extended until it is but little short of completion, and likewise would have been practically completed if work could have been continued a month longer. This trail traverses the entire length of Bontoc subprovince, a distance from Bontoc to Balbalasan of about 75 miles. The only expense incurred this year in connection with this road was for the hire of an American foreman. Although the road tax has not been applied to the section traversed by it, owing to the lack of padrones or registry of male inhabitants and the consequent difficulty in keeping records until the section has organized township governments and local officials capable of performing such work, the towns along the route were asked to contribute labor, and they responded most willingly, apportioning among themselves the amount of road to be built by each. The importance of this road as a civilizing agent has been pointed out in previous reports. It brings the people of towns hitherto hostile or at least afraid of each other into contact and knowledge with each other and leads to a feeling of greater security. It is a great convenience to officials in permitting easier and frequent trips through the country.

When this road is completed, another road joining it at Lubuagan and leading eastward to connect with a road from Ilagan, Isabela Province, at the boundary of the two provinces, is projected, and work will begin on it next year. Thus a highway will extend across the subprovince of Bontoc from east to west, con-

necting Abra and the Ilocos provinces with the rich Cagayan valley. It will no doubt prove to be an important artery of trade and may lead to the peopling of the valuable unoccupied lands of the Cagayan valley by emigrants from the crowded west coast. It will likewise have a civilizing effect on the primitive people of Bontoc subprovince, through whose territory it passes. This road will traverse the Lubo valley, the people of which have heretofore been hostile to the government and attacked an expedition conducted by former Lieutenant-Governor Folkmar a year ago. Since that time, however, the constabulary have entered the valley and communicated with the people without hostile demonstrations, and it is believed that by the time road building can be begun friendly relations will have been established, so that not only will there be no opposition but the people will cooperate in building the road.

No other new road work has been undertaken during the past year than that mentioned, the Cervantes-Tagudin road, and the Bontoc-Balbalasan road, except a short trail connecting the town of Sagada with the barrio of Fedlisen. A great deal of important repair work of existing trails has been done, however, the trail from Bontoc to the top of Mount Polis between this province and Nueva Viscaya having been put in good condition, in some places changed and built anew. Repair work has been done on the road between Bontoc and Sagada and a new bridge built to replace the one washed out last year by excessive high water. The new bridge has been built high enough that there is thought to be no danger of a similar occurrence. The road from Bontoc to Sabangan on what is known as the lower or river trail between Bontoc and Cervantes has been repaired, but the work is not yet complete. When finished it will offer a much easier trip during the dry season between the provincial capital and Bontoc than the one usually taken, but will not be passable in time of high water, owing to the rivers. Repair work has also been done on the road between Cervantes and the coast by way of Concepcion and San Emilio, and washouts have been repaired on other roads. Altogether it has been a most successful year as regards results in road work, but there is still much to do. The same amount of work performed every year for twenty years would still leave large sections untouched by a trail over which a horse could be ridden. The subprovince of Amburayan and a large part of Bontoc are still virgin soil as regards road building, and only by persistent and long-continued work can all sections of this most mountainous country be made easily accessible.

Other public work performed during the year was the repair of the office building, known as the "comandancia," at Bontoc. This building has been given a new roof, and thoroughly renovated and repaired. Also a strong guard-room has been built in on the ground floor for use as a subprovincial jail. The Cervantes office building and the provincial jail have also been reroofed and otherwise repaired.

INDUSTRIAL SCHOOL BUILDING.

Work has been continued during the year on the Cervantes industrial school building, and that structure is practically completed. It will be ready for occupancy by August 1. It is the finest and most substantial building in the province. Work was hindered by an unfortunate accident which occurred in the month of March. The framework of the building was up and a part of the iron roofing on when the entire structure was blown down by a baguio. The damage, however, was slight, as very few of the timbers were injured.

The original plan of this school called for three buildings—a dormitory, class rooms, and shops. The first and largest of the three is the one about completed. It is sufficiently commodious to serve both as dormitory and living apartment for pupils and teachers, and also for class rooms; and since the appropriation will not go further than the erection of shops, a separate building for class rooms will not be built. All the materials for the shop building have been purchased and the building can be pushed to completion in a short time. There is no reason, however, why the school can not open and begin work with the completion of the main building.

The site chosen by the provincial board for the industrial school, a low flat-topped hill overlooking a level strip of river bottom, which the board believed to be unoccupied public land, because the subject of litigation, a claimant appearing and occupying the land and beginning construction work on an irrigating canal until restrained by an injunction issued by the court of first instance. Since the action of the provincial board in occupying this land had been infor-

mal, and, through oversight, no action had been taken when the land was first occupied leading to securing a title, and since the amount of land occupied was considerably more than would ever be needed for school purposes, and the area of cultivatable land around Cervantes is limited, the board considered it best to accept the proposition of the defendant in the injunction suit to arbitrate the matter before the case was decided by the court.. As a result an agreement was reached whereby the claimant forever relinquished all claim to about half of the land, including the site where the buildings are being erected, and the provincial board relinquished claim to the remaining part without, however, recognizing the right of the claimant to it. Application had been made for an executive order setting aside the entire tract, and such request has been amended to include only the part now in possession of the provincial board, a tract of about 25 acres, a large part of which can be irrigated and is suitable for experimental purposes in gardening or the raising of any kind of crops.

ELECTIONS.

The first elections for local officials ever held in the province, except in the town of Cervantes, were held in the months of December and January in the organized townships of Lepanto and Amburayan. Heretofore officials had been appointed by the provincial governor. The elections were held on different dates in different townships, in order to permit the provincial governor to be present at each. The people manifested considerable interest in them and apparently appreciated the right of suffrage. The officials elected in the towns outside of Cervantes were, with one exception, all Igorot. The exception was the presidente of Sabangan, an Ilocano official of good standing in whom the Igorot people have great confidence. In some instances the contest was close, and in others but one candidate appeared. Good feeling everywhere prevailed. Some of the candidates worked hard for votes, giving cañas in the various barrios and making a canvass worthy of more experienced politicians. No election was contested, although, in Cervantes, charges of fraud were freely circulated by the friends of the defeated candidate for presidente. After the elections, a convention of presidentes was held in Cervantes, to which also the secretary-treasurers and newly elected concejales were invited. An effort was made to instruct the new officials as to their duties, new laws were explained, and everything in connection with their offices made as clear to them as possible. It may be stated that nowhere can there be found a set of officials more earnest and anxious to learn, and considering their qualifications and the degree of civilization which they have attained, a more efficient set than the Igorot officials of Lepanto-Bontoc. The work of helping such officials to a proper conception of the principles of popular government is not only a pleasure but an inspiration.

Among the laws concerning which an effort has been made to disseminate the widest information, the public land act, or rather Chapter IV of this act, recently made applicable by resolution of the Commission to this province, is the most important. By this act opportunity is given the inhabitants to obtain free patents for the land occupied and cultivated by them or to settle on unoccupied public land. But the law as it is at present is not of great value to the people of this province. The homestead feature is not effective for the reason that there is very little agricultural land not already occupied and cultivated—that is, such land as is adapted to the growing of the ordinary crops raised by natives. There is undoubtedly considerable land suitable to growing coffee or cacao not occupied, but none suitable for rice culture.

The free patent feature is not of great value for the reason that a person can obtain a patent for but one parcel of land, whereas the sementerias of the province are broken up into such small irregular bits that seldom can a man be found whose sementerias form a continuous tract. For these reasons, although the people desire to obtain free patent for their lands they do not seem to care to go to the trouble of securing a title to one small bit of land when they may have a dozen other bits equally important in other places. Unless, therefore, the law can be changed, allowing a person to apply for a free patent for as many pieces of land as he desires so long as the total does not exceed 16 hectares, and the time in which application can be made is extended one year, the people of Lepanto-Bontoc will not profit by this law.

The cattle registration act, to the application of which the people of Bontoc and surrounding pueblos strenuously objected for a time, has been enforced without difficulty. There are regions in which it has not yet been applied,

owing to lack of officials to perform the work, but the next year will see the law in force in all parts of the province where cattle raising is carried on. There were a great many instances where the people failed to comply with the law within the period fixed, and neglected to register their animals at the age of two years. Such delinquents were promptly fined, and, as a result, the people are generally careful to present animals for registration before a fine can be imposed.

TOWNSHIPS.

The number of townships organized under the provisions of sections 1 to 60 of act No. 1397, is 21. In addition, there is one specially organized township of Bontoc, consisting of 13 towns, where the people are not sufficiently advanced to make it practicable to bring them under the full township organization, and a large number of independent rancherias. Each of the 21 townships is divided into barrios, each represented by a concejal elected by the people. Usually a single village forms a barrio, but sometimes two or more small villages are grouped into one barrio. Other township officials are the presidente and vice-presidente, elected by the people, and secretary-treasurer, chosen by the provincial treasurer. In all of the townships the cedula tax is collected, and in all but four the property tax has been applied. The exceptions are Sagada, in Bontoc subprovince, and the three townships named above as having been formed from the rancherias taken over from the province of La Union. The townships have been self-supporting from the first. With the application of the internal-revenue cedula tax, however, it became necessary for the province to collect half of this tax for its use, and, as a result, the townships in some instances ran short of funds. That part of the internal-revenue refund to provinces and municipalities pertaining to the townships was not distributed last year, and under the law forms a township and settlement fund, to be expended as the provincial board may provide, and the secretary of the interior approve. Arrangements have been made to apportion a part of this fund to the townships needing it for running expenses, and the rest will be used on public work. The salaries of township officials are very low, ranging for presidentes from ₱6 to ₱30, the latter being paid to the Ilocano presidente, of Cervantes, and from ₱14 to ₱25 for secretary-treasurer. The entire salary list, including policemen and teachers, ranges from ₱29 to ₱162 per month, the latter figures being for the one Christian town, Cervantes. These salaries are somewhat less than were formerly paid, but a general reduction was necessary, in order to permit the establishment of township schools. The townships have always furnished their own office supplies and blank forms, but own no road tools or other property.

PUBLIC INSTRUCTION.

The present school year will see the establishment of a township school in each of the organized townships of the province, and several of them will have two or three in different barrios. Last year there were 16 such schools in operation. This year the number will probably reach 25. When it is remembered that the townships referred to are inhabited almost entirely by Igorots, and the schools are attended by Igorot children, the fact will appear more significant. The enrollment last year was almost twelve hundred pupils.

In addition to the township schools mentioned, there is a primary and intermediate school, attended by Ilocano children at Cervantes, an industrial school for Igorots at Bontoc, and, as already stated, an industrial school for Igorots at Cervantes will soon begin work. The demand for schools and teachers is not confined to the more advanced of the Igorot people; the so-called head hunters of Interior Bontoc seem just as eager for educational facilities as their more civilized neighbors. It is likely that an American teacher will soon be sent to Lubuagan, where the people have offered to build a schoolhouse free of charge and furnish a desired number of boys for regular attendance.

Public instruction of Lepanto-Bontoc will no doubt receive an increased impetus and become more effective by reason of the separation of the duties of division superintendent of schools from those of governor and the appointment of a man to devote his entire time to school work. As was pointed out in my last report, such a move was most imperative, and I was glad to be relieved of school work, on June 1, by the appointment of Mr. J. W. Travis, as acting division superintendent.

AGRICULTURE.

The Igorot is essentially an agriculturist and devotes his entire energies to the cultivation of the soil. His activity in terracing steep mountain sides for rice culture, wherever he can get water for irrigation, is well known. Where he can not irrigate he raises corn and camotes and other vegetables. The amount of land under cultivation last year, according to reports of presidentes, exceeded that of any previous year. But for the early coming of the rains there would have been, in some sections, a severe crop failure owing to the excessive dry weather and consequent drying up of springs on which the people generally depend for water. Fortunately, however, the drought was broken and the Igorot rice harvest, which begins in May instead of December as with Christian population, was unusually heavy. Frequently the Igorots raise two crops of rice annually on the same land, but usually they plant corn and camotes in the sementeras after the rice is harvested. The Igorot needs no stimulus to plant these crops on which he depends for subsistence, but his activity goes little further, as in growing useful fruits for commercial products, unless he receives some outside encouragement. Under Spanish regime he was compelled to plant coffee, and, as a result, has materially increased his income. But the trees planted in Spanish times are dying off, and the need of arousing interest in coffee cultivation became so apparent that the organization of agricultural committees referred to in my last annual report was hit on as a means to that end. A local committee in each township, consisting of a president and a member from each barrio, endeavors to stimulate interest in raising coffee, cacao, cotton, and in the planting of fruit trees of all kinds. Although results have not been marked, they are sufficiently encouraging to indicate that such agency, if properly handled by an interested central authority, such as a provincial committee, can be as instrumental in increasing agricultural activity of this kind as the force system employed under Spanish régime. Complete statistics could not be gathered showing the number of coffee trees planted during the past year, but such information will be forthcoming next year. Coffee forms the chief article of export, and with improved transportation facilities the growing of it should be highly profitable to the inhabitants of the province. There is evidence of some disease among the coffee trees, but as yet it has done little damage. An effort will be made, through the agricultural associations, to educate the people as to the nature, effects, and prevention of the disease. The crop this year has not been exceptionally great, but is above the average. About 2,500 cavanos have been marketed, at a total price of nearly ₱30,000. There is no reason why the acreage and yield should not be ten times as great.

Cattle raising continues to be an important industry. Transfer records in the offices of township secretary-treasurers show that during the past year 1,200 animals changed hands at a total value of more than ₱60,000. The larger part of the animals sold went to the coast provinces from Ilocos Norte to Pangasinan, which rely on Lepanto-Bontoc for draft animals. No disease has appeared among cattle, but a disease of carabaos appeared in several places during the year and several animals died. The people have learned the value of prompt segregation of diseased animals from well ones, and by their own efforts prevent the spread of the disease. As carabaos are not used to any extent by the Igorots for cultivation, the dying off of these animals does not work any hardship in that respect. Aside from cattle and coffee, there are no other important articles of trade. The chief imports are salt and hogs. As pointed out last year the people buy large numbers of hogs, but they do not raise them to any extent, for the reason that there is no place where hogs can run loose without destroying camote crops. A family buys one or two hogs, which are kept in a pen and fattened until it becomes necessary, according to the customs of the people, to hold a *cañao*, or celebration of some event, as a birth or death, or when a person gets sick. The hog is then killed and eaten. As soon as possible another is bought so that every family has a hog on hand nearly all the time. This custom of giving *cañaos* is gradually growing less, owing to the influence of religious sects which are springing up, but it will be a long time before it is entirely eradicated, so firmly do the people cling to established custom.

There are no manufactures or other industries worthy of mention. The population, as already pointed out, is agricultural and most primitive, and only the

few articles of household use are made by them. These are sometimes objects of local trade, and, especially in the case of earthenware, pots, and whetstones, are frequently carried to the coast towns and traded for salt and cloth.

MINING.

There have been no new developments in the mining industry during the past year. The holders of claims continue to do their assessment work and are gradually uncovering more copper ore. The miners are no less enthusiastic over their prospects, but so far no capital has been attracted to the development of the mines. There is no doubt but that the province contains a large body of rich copper ore in the neighborhood of Mancayan and Suyoc, but a great amount of capital is needed to erect a smelter and provide transportation, probably a railroad, to the coast.

PUBLIC HEALTH.

The salubrious climate of Lepanto-Bontoc is well known. Especially for people accustomed to a temperate climate, it offers a beneficial relief from the oppressive heat of the lowlands. Amœbic dysentery is unknown and cholera has never penetrated into its mountains. The health of the natives is generally good, considering their none too sanitary mode of living, surprisingly good. Smallpox has appeared at several places during the past year, but it could always be traced back to the coast. The first general attempt at vaccination has been carried on during the year by a medical inspector of the bureau of health, Dr. George L. Bunnell, assisted by three Filipino vaccinators. No deaths have been reported from smallpox since the epidemic which swept over the district of Mancayan about one year ago, which was mentioned in last year's report. One reason for the general good health is that the water supply of the entire population is furnished by pure mountain springs, and the villages are always located on a slope and are well drained. There are no stagnant swamps and fever-breeding holes in the province.

The statement made in the beginning of this report as to lack of statistical data is especially true as regards a financial statement of the province for the past year. In general it may be stated, however, that the expenses of the provincial government during the past fiscal year amounted to about ₱40,000, or something under the sum allowed. Of this, ₱29,250 were appropriated by the insular government and the rest has been secured from internal-revenue refund, provincial taxes, etc. The amount of provincial receipts, exclusive of road tax, which must, of course, be expended on public works, is at present about ₱15,000 yearly. Expenditures have been reduced so that instead of an appropriation of ₱50,000 from the insular government, as at first, but half that sum is now required. It is believed that the provincial government is as economically administered as is compatible with efficient public service.

A word of praise is due the constabulary for their active cooperation with provincial officials and their efficient service. Both the senior inspector, Capt. C. E. Nathorst, and Major Mair, commanding the district, are intensely interested in the welfare of the Igorot people. No doubt the era of peace and the feeling of security among the erstwhile head hunters of Bontoc is due largely to their efforts. The post at Lubuagan is the center of a large district and is two days from the subcapital. The presence there of an upright and sympathetic American officer has much to do with the preservation of good order in that region. A post at Balbalasan, on the Abra border about 30 miles from Lubuagan, is an important factor in preventing the interprovincial cattle-stealing raids formerly carried on in that region. These two posts should by all means be connected with Bontoc by a telephone line. This recommendation was made in my last report and is here repeated as a matter of prime importance. The entire distance from Bontoc to Balbalasan is 75 miles. The only means of communication at present is by constabulary patrols. In addition to the convenience to the constabulary, a telephone line would be of inestimable benefit to the province. As yet no sort of local township organization has been adopted for the somewhat advanced people of that large territory, owing to its inaccessibility and the distance from Bontoc. It is desired as soon as practicable to put the rancherías of that region on the same basis as those of the subprovince of Lepanto. A telephone line would be of great importance in permitting easy communication between local officials and the lieutenant-governor.

Another matter which, it seems to me, merits the consideration of the Commission is the advisability of establishing two or three government trading stores in the subprovince of Bontoc for the benefit of the people of that section. Such stores would need to carry only a small stock, consisting chiefly of cloth, blankets, iron bars, and salt, and these things should be exchanged for the products of the people which have a commercial value. Not only would trade and industry be encouraged, but the people could secure the things they desire with less trouble and at much lower cost than at present, and would naturally be more favorably disposed toward the government. Now the Igorots are compelled to make long, tiresome, and sometimes dangerous trips to the coast towns, and they invariably pay for an article four or five times its value. Such stores, if established, could be under the supervision of the lieutenant-governor and be run at a minimum expense. Probably the constabulary officers, who have little to do at their isolated posts, would be glad to cooperate in this matter.

In conclusion I desire to emphasize the peaceful and orderly condition of the province, the smooth working of all branches of the government, and the harmonious relations of all officials, and to repeat the recommendations made herein for the amendment of the road tax provision; for the extension of time in which applications can be made for free patents to land, and for the erection of a telephone line from Bontoc to Balbalasan.

Respectfully submitted.

WM. A. REED,
Governor of the Province of Lepanto-Bontoc.

The GOVERNOR-GENERAL OF THE PHILIPPINE ISLANDS.

REPORT OF THE GOVERNOR OF THE PROVINCE OF LEYTE.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF LEYTE,
Tacloban, August 26, 1906.

SIR: I have the honor to forward my annual report relating to the events that have taken place in the province of Leyte from September, 1905, to August, 1906.

As will be observed further on, concrete information has not been obtained. It has been requested, and if it arrives in time to be available for correcting figures and amplifying details, it will be incorporated in a supplementary report at the end of next September.

POLITICAL CONDITIONS.

The municipal elections held in December, 1905, show progress in the exercise of the right of suffrage and in the interest taken in the public service. The following table shows the results of the elections in the thirty-four municipalities of the province:

Number of elections held.....	34
Number protested	18
Protests filed	51
Counter protests.....	8
Elections annulled.....	1

The number of protests and counter protests shows the rivalry between political parties. The provincial board, however, has annulled but one election, that of the municipality of Babatngon. In this matter the opinion of the board has been very different from that of last year, when several elections were annulled.

It is worthy of note that in the municipality of San Isidro del Campo the election held last December was total, it appearing that no election had been held during the preceding December.

The municipality of Burawen has been advanced in rank, in view of the increase in population, or rather of a correction having been made of the population basis which served for its former classification. It is now a municipality of the second class.

The provincial elections were not as contested as in the year 1904. Then three ballots were necessary to secure a majority vote, while the last election was decided on the first ballot.

The disputes carried on at that time did not suffice to remove political differences, a furtive campaign being still conducted by certain persons, fortunately a very few. This, however, does not justify the belief that Leyte is one of the provinces most deeply affected by the workings of political passion. The fact is that here, as elsewhere, two agitators can make more noise than two hundred who keep their own counsel. The people of Ormoc, formerly so greatly agitated, are now calm.

Social discipline is slowly being introduced in the customs of the people, though it is not yet universally observed.

Already the question of the representatives for the future Philippine assembly is being agitated, though less actively than in other provinces, due, it may be, to the abnormal conditions existing, giving rise to uncertainty as to whether Leyte is to be represented.

I desire to add, in connection with this aspect of provincial life, a thing that has come under my observation with respect to the provincial treasurer, Mr. Jennings, and the former division superintendent of schools, Mr. Fisk, to wit, a tendency on their part to give an opportunity to qualified Filipinos to enter the government service.

PUBLIC ORDER.

The province can be considered as having been peaceful until June 19, 1906, when the municipal police force of Burawen was attacked and had six men killed and seven wounded, besides losing fourteen Remington rifles and one Colt's revolver.

During the last days of my predecessor's administration small bands of pulahanes were wont to appear in the districts under the jurisdiction of Jaro and Ormoc, without evil consequences, or at most with the result of the kidnaping of a rural policeman. During the later months of the year 1905 and the first of 1906 the municipalities of Barugo, Carigara, Jaro, Ormoc, and Burawen were engaged in the capture of several brigands or their sympathizers.

The important events which took place prior to June 19 were the attacks on the mail carrier between Ormoc and Jaro, resulting in the suspension of the mail service between the places mentioned and the surrender of Felipe Tamayo and six companions, together with the family of one of the latter. Tamayo turned in two revolvers—one Colt's and another of a style commonly known as "lady's." He is a brother of the notorious Juan Tamayo killed at Zumarraga, Samar, upon whose head a price of ₱1,000 had been placed. Felipe surrendered as a result of a proclamation of mine and of a meeting held in Jaro, and is now working as a volunteer with loyal troops. In the fight at Tabontabon, which occurred July 24, 1906, he gave evidence of his fidelity and bravery before the eyes of Major Nevill, of the constabulary.

The mail service between Jaro and Ormoc that had been abolished for nearly a month was restored after Tamayo's surrender, as it was his people that had attacked it.

Captain Crockett, senior inspector of constabulary in Leyte, did all he possibly could to leave the province in an entirely normal condition. At the beginning of June, 1906, Capt. Harry L. Beazly came to substitute him. As he was not acquainted with the province, and at the same time wished to see the pueblos, the armament of the municipal police, and also obtain information with regard to the records of prisoners sentenced for bandolerismo, sedition, etc., whose cases were under revision by virtue of the provisions of Executive Order No. 24, series of 1906, he accompanied me on my tour of inspection through the towns. We were in Ormoc on June 19, when the pulahanes made a raid on Burawen.

Colonel Taylor came from Iloilo with two companies of constabulary from Cebu and Samar, under the command of Major Nevill. In connection with this event the colonel remembered the petitions of Captain Grove and Captain Crockett with reference to the establishment of a constabulary post at Burawen, which, had it been done, would probably have prevented the attack. For reasons of economy the government reduced the contingent of troops, instead of increasing them, from 250 to 200 men only.

In my special report I have set forth more extensively the purpose of the pulahanes in raiding Burawen. Their motives were to recover the person of Maria Lipayon, a prisoner, and the mother of the two outlaw leaders, Juan and

Basillo Cabero, to revenge an attack of the municipal police at Tambungan, to punish the officials of the justice of the peace court and of the municipality, and to show their opposition to the land tax and to the law requiring the branding of cattle.

The success of this raid made them believe that the time had arrived for an uprising. They became bolder and more audacious and sought the support of their adherents. The pulahanes counted upon their partisans covertly living in the outlying barrios of Burawen and among the inhabitants of some of the barrios of Dagami and Tanauan, who were in the habit of going to Burawen for the purpose of cultivating the hemp lands in that district.

The ideal of the pulahanes—for "ideal" it can be called—is of a politico-religious nature. This fact was disclosed by the raid on Burawen and subsequent facts confirm it. The supreme chief is "Pope" Faustino Ablen, a veteran bandit of Ormoc. His lieutenant, Felipe Ilos, belongs to Burawen. Juan Cavero, Victoriano and Espiridión Rota, Mariano Nirja, Mariano Marigoso, Tranquillino Almadén, Margarito Gamba, and Lino Cayondong are officers of his. Gamba and Almadén have surrendered and are in prison, while the belief exists that Juan Cavero and one of the Rotas were killed in the fight at Julita, Burawen.

In their attack upon the police of Burawen they assaulted only the municipal force and a farmer (who is supposed to have offered resistance on the road), took possession of their arms, and destroyed the official records; they did not touch the money of the municipality nor any other inhabitant of the town. In their incursions on different barrios toward the end of July they committed no pillage nor offended women. They prayed and compelled persons to follow them. They asked for whatever they needed—rice and black and red cloth. This conduct and the extent of the movement made some persons believe that it was a case of sedition or insurrection. Probably some of the principal leaders may have subsequently thought of this as an imitation of the late revolution, or for the purpose of avoiding the greater penalty of the law or to disguise their true purposes. However, the burning of the barrios of Mercado (Mercadohay), Dagami, and Donghol, Ormoc, taken in connection with the conditions brought about by the military and constabulary troops have unmasked them and shown them as they really are.

The principal events of this campaign have been: The encounter at Maabab, Burawen, where Lieutenant Worswick, of the constabulary, the American scout McBride, and 11 men were killed, and 13 rifles and 2 revolvers lost; the fight at Tabontabon against a combined force of regulars and constabulary, in which the pulahanes lost 56 killed and had about 100 wounded, which resulted in the capture of 2 Springfield rifles and 1 flintlock musket, unfortunately offset by the loss of 3 constabulary in charge of the provisions, they having been killed and their rifles taken from them (another Springfield was afterwards found by the volunteers), and the fight at Julita, in which Lieutenant James, Sergeant Snyder, Internal-Revenue Agent Williams, and 3 enlisted men were killed, with the loss of 3 Krag rifles and 2 revolvers. In this fight the pulahanes had 14 killed, among whom it is supposed were Juan Cavero and one of the Rotas.

On August 4, 1906, some 500 men entered the town of Abuyog, killed the ex-president, Eugenio Villote, three policemen, and one citizen, and burned down the municipal building. These men were led by Baldomero Tisado. The movement was purely local, without any connection with the Burawen affair. A combined force sent in pursuit came upon an outlaw camp at Tangbaw, in the district of Vito, killed 10 men, wounded several, and captured 8. It was thought that Baldomero Tisado had been killed there, but it now turns out that he is alive and in prison. After this event took place that region again became normal, and it is now known that only 7 men are unaccounted for, the balance being prisoners in Abuyog and Baybay.

The region of greatest disturbance is now surrounded by military posts and constabulary, located between Tanauan, Tabontabon, Dagami, Burawen, Julita, La Paz, Dulag, and Tolosa. Abuyog is also garrisoned. In view of subsequent reports, forces have been stationed at Baybay, Palompon, Villaba, San Isidro del Campo, and Capoocan. From the beginning a company of regular troops has been stationed at Jaro.

During the past week five expeditions have been sent to the mountains without results. Everything points to the belief that the pulahanes are convinced of the strength of the loyal forces and have dispersed after hiding their arms.

The best known are probably in hiding, while the others have probably returned to their homes and are pursuing their regular avocations as peaceful citizens.

The statement has been made that 39 men with 8 rifles had succeeded in coming over to Leyte from Samar, and that they are now endeavoring to get back. The forces that have been mobilized and the vigilance of the people of the towns on their route have not yet given any reports in confirmation of this rumor.

There is one fact of much significance, pulahanes lately captured are thin and emaciated and show evidence of exhaustion, loss of sleep, and hunger. Reports are to the effect that it is difficult for them to get supplies. That proves that public sentiment has turned against the movement. Owing to the organization and mobilization of volunteers throughout the disaffected region the pulahanes avoid the roads and trails and dare not enter the barrios.

Such is the situation in Leyte at the time of writing this report. I still believe that the original number of the pulahanes did not exceed 100. Complications of their movement may have triplicated this number, but not more. All others, amounting to a total of 1,000, were simply forced to follow.

Prior to these events a policeman of Carigara lost his revolver by having it stolen from him while on duty in Tacloban. The 10 rifles at Abuyog with a few rounds of ammunition had been withdrawn. Jaro and Barugo secured an increase of armament. Alang-alang was disarmed, but subsequently its arms were returned to it.

With the idea of establishing a military camp at one of the present posts the people of Tacloban adopted a resolution favoring the plan, a copy of which has been transmitted to the general commanding the division of the Philippines.

PROVINCIAL ADMINISTRATION.

Provincial offices.—Personally I can give no evidence as to the relations between the high officials of the province prior to March, 1906. The information in my possession is that they were harmonious with the change made in the personnel.

Subsequently we had the following changes: The division superintendent of schools was made a member of the provincial board in substitution of the provincial supervisor; Mr. Warwick was appointed district engineer for Samar and Leyte, while Doctor Cullen, vice Doctor Olba, was appointed district health officer, and Mr. Berry relieved Mr. Wenzell. Owing to the resignation of the provincial fiscal, Señor Domingo Franco, Señor Norberto Romuáldez was appointed to that office.

The provincial board has designated Monday of each week for its regular sessions.

The offices of the governor and secretary have been reorganized, in the sense of a consolidation, pursuant to a suggestion for economy from the executive bureau.

Administration of justice and provincial jail.—The number of causes disposed of and pending, according to information furnished by the clerk of the court, amounts to 283, the most numerous prosecutions having been for the following crimes: Bandolerismo, 43; sedition, 27; estafa, 23; homicide, 18; theft, 16; assault and battery, 14, and murder, 13.

Hon. Judge Lobinger had the misfortune to break his leg at Magtaon, Samar, which kept him in bed for two months. This delayed the business of the court and prevented the holding of sessions in Maasin in the month of May.

In the month of July the first convention of justices of the peace from the eastern part of the island was held, under the presidency of the judge of the first instance, for the special purpose of instructing them in the two forms of procedure. Useful addresses were delivered to this body by the lawyers here resident, Messrs. Romuáldez, Enage, Kelly, Navarro, Valdés, and Kapunan. A convention of the justices of the peace of the western coast has been convoked for next month at Maasin.

The average monthly number of prisoners in the provincial jail has been 97. August, 1905, shows the smallest number, 66; July, 1905, the greatest, 108. This month shows the largest number of new prisoners, 61, and 33 released. In the following August 33 entered and 24 were released. Six died and 2 escaped. During the last few months there have been 4 women, though there are none at present.

The conditions of the jail are not as good as might be desired, but the prisoners have benefited by the change made in location. Up to the end of 1905 they were confined in the municipal jail of Tacloban in the absence of other quarters. The province has constructed a strong building, but was obliged to stop at the first floor owing to lack of funds, and has provided the incomplete edifice with a temporary roof. This makes it rather warm in spite of the fact that two kinds of alterations have been made to secure better ventilation. But as the prisoners are out every work day they do not suffer from confinement. As a result of work, fresh air, and the improvement in rations, they are in good health. It would be difficult to economize more as regards rations, as each prisoner is allowed only 13 centavos a day.

When the work is finished we will probably have one of the best prisons in the Philippines. At present, owing to the number under arrest charged with *bandolerismo*, the prison wards are full to overflowing, so that it is necessary to build an additional ward. The present number of prisoners is 167.

As regards security, the building is solid and 24 provincial guards have been provided in addition to chains for long-term prisoners accused of serious crimes and for those who have failed to show that they are tractable.

Health.—The figures for this report were in course of preparation at the time that Dr. Antonio Olba, the then president of the provincial board of health, was at Burawen attending the wounded policemen, and when he returned to Tacloban he had scarcely time to leave office, as his tenure would cease on July 1, 1906, by virtue of the reorganization of the service. Doctor Cullen, who succeeded him, is always in Samar, and no person is in charge of the records of the office. This prevents me from giving concrete information.

From some of the reports of the municipal presidents it is learned that the condition of the public health in the province is unexcelled. Although the people in the pueblos are not much given to the observance of sanitary regulations or rules of health about which they know nothing, they are in good health owing to their general conditions and to the sparsity of the population. Nearly all of the pueblos of the province of Leyte, in fact all, with the exception of Dagami, Burawen, Alangalang, and Jaro, are seacoast towns. Some of them are damp, as are those situate in the hemp regions, where malaria is frequent. However, the number of cases is not remarkable in comparison with the number of inhabitants. Cleanliness is the rule in all of the towns.

Cholera that has prevailed for so long a time in Manila has fortunately not reached this province. No epidemic diseases are known. The most common are fever, *beri-beri* (that was of a milder attack during the fiscal year than heretofore), and tuberculosis.

There are approximately 100 lepers in the island, not always isolated from the rest of the population, only serious cases being separated in fields that are more or less detached. Some of the pueblos have recommended their quarantine by the government, but the bureau of health states that the appropriation will not allow their being taken care of and that the government establishments are already full. The pueblos contend that under the municipal code they have no funds for maintaining hospitals of their own, nor are they even able to pay for the maintenance of lepers in places where they can be confined.

It can be said that the rinderpest has taken out naturalization papers in the pueblos. It will disappear for a few months only, to reappear again and gradually once more to abate. The cattle left are so few in number that there is scarcely sufficient for butchering. In Tacloban, the provincial capital, all beef consumed is imported. As regards carabao, 90 per cent have disappeared. The restoration of this animal by natural increase is slow. The kindness with which property owners now treat their animals is remarkable in comparison with the treatment they extend to their own relatives. Carabao bulls are used preferably for draft and transportation purposes rather than for agriculture, the former being more profitable. The price of these animals is, on an average, between ₱100 and ₱150 per head, though some are sold as high as ₱200.

Surra is again making ravages among horses, having almost completely carried off all of those in the pueblos of Carigara, Barugo, Tanauan, and Dulag.

It is sad to see the poor people try every sort of remedy and give themselves over to a species of fatalism when one of their animals falls sick. There is no known remedy that is effective, as even the government veterinary surgeons sent to the pueblos of this province sometime ago did no credit to themselves nor were able to inspire confidence in their cures and preventives. One thing has been observed—that is that rinderpest will not attack an old animal, or if

it does there is a probability of saving it. In bulls the age is from five to eight years when it has arrived at its greatest vigor, and in cows after two calvings.

Provincial treasury.—During the fiscal year 1904-5 the receipts of the provincial treasury amounted to ₱383,202.20; for the fiscal year ending June 30, 1906, they amounted to ₱389,882.82, showing a difference in favor of this year of ₱6,680.62.^a

I will now let the provincial treasurer, Mr. Jennings, make a short explanation with regard to the financial transactions of the provincial treasury.

"The province," he says, "finished the fiscal year practically without pending indebtedness, except certain obligations due to insular bureaus, which are covered by a reimbursement for internal revenues to June 30, not yet received. It will be observed that the expenditure of road and bridge funds has been comparatively small. This is due to the fact that funds have not been available for larger expenses. It has been necessary to accumulate a sufficient sum in this fund to cover the expense of the construction of a new bridge at Palo. The amount necessary for said work is now available, and it is hoped that some ₱12,000, approximately, will be expended. By the end of the calendar year there will be ₱10 available for expenditure in the road and bridge fund.

"The expenditure of general funds has been somewhat greater than that of last year. This is due in a large measure to the fact that some ₱15,000 in obligations incurred during former fiscal years were paid after July 1, 1905. The ordinary expenses of the province are excessive, over ₱40,000 being spent for salaries each year. Ten thousand pesos, now carried as a balance, have been virtually separated as an appropriation for the construction of a provincial high school. It gives me satisfaction to state that I note an appreciable improvement in the financial condition of the municipalities. All of the municipalities finished the calendar year which ended December 31, 1905, with a deficit varying from some hundreds of pesos to ₱2,500 in Maasin and ₱5,000 in Ormoc. The inauguration of the system of taxation under the internal-revenue law in 1905 somewhat confused the municipalities in making out their budgets, and their deficits were generally due to an inaccurate estimate of probable revenues from this source as compared to those from the industrial tax. The deficits in Maasin and Ormoc go back two or three years and are due to a bad financial administration in those pueblos and to conditions which followed the revolution, the last especially in Ormoc."

The provincial treasurer concludes his remarks by saying that "in general conditions in the province and the municipalities are very favorable."

Public works.—The provincial treasurer has already set forth the reason for the scarcity of funds for public works. With the exception of the amount appropriated for the Palo bridge, all other expenses were purely for maintenance.

One of my first recommendations to the provincial board was with reference to the roofing of the large bridges, if only with cane and nlpa, but it appears that my recommendation was late, as it is the opinion of the engineer that to a large extent the material of these bridges is rotten.

Since the organization of the provincial board five years ago it has only been able to repair the road from Tacloban to Palo, which was metalled with stone and gravel in accordance with the Adams system. The roads from Palo to Alangalang and to Dagami, via Tanauan, were only half repaired.

The pueblos most in need of roads are Jaro and Burawen, they being interior towns and having no water communication. Alangalang, also an interior town, has a small river, and there is also a stream connecting Dagami and Tanauan. In consequence of neglect the roads from Burawen to Dagami and Dulag, and that from Jaro to Carigara and Barugo, formerly passable for carriages, are little less than impassable now. The provincial board has been unable to attend to them or to the roads uniting the pueblos of the west coast of the island. Had it not been for the requirements of the campaign against the pulahanes we would not now see the repair, if only of a temporary character, of the bridges and the road from Tanauan to Dagami and Burawen. This work is now being carried on with volunteer labor, the province furnishing subsistence.

Mention should here be made of the recent road law. Public spirit and the scruples of several municipal officials are in opposition to the enforcement of said law in this province. Some oppose it through misunderstanding, while others do so in order not to become unpopular, though all might privately

^a Exhibit A, showing financial operations, is on file in the War Department.

recognize the necessity of its application to Leyte. The so-called prestacion personal is so discredited and combated that many people fear it. I believe that when the convention is convoked to deal with the matter of its enforcement there will be a good deal of discussion.

Communications.—Means of communication are quite insufficient in this island. At some of their conventions the municipal presidents have recommended the establishment of a regular mail service, which up to the present time has not been secured.

When the province had a steam launch at its disposal, it was able to carry the mails to the pueblos wherever it touched. Now it hires a launch from the bureau of navigation, which makes the round trip of the island once a month in connection with the requirements of the provincial treasury, and this is our only means of communication with the principal pueblos.

Less than six months ago four postal routes by land were established, with a weekly service: One to Palo, Alang-Alang, and Jaro, extending on one side to Ormoc and on the other to Carigara; another to Tanauan and Dagami, and another to Tanauan and Tolosa, Dulag and Abuyog. A municipal service establishes communication between Carigara and Barugo and between Dagami and Burauen.

Before the attack on this last pueblo the provincial capital had telephonic communication with Alang-Alang, Tanauan, Dagami, and Tolosa. After the attack on Burauen the Dagami line was extended to that place, both pueblos contributing voluntarily and in equal proportion the poles and labor. The municipalities of Ormoc (for the barrio of Dolores), Palompon, Maasin, and Malitbog have a petition pending for other lines between said places and have offered to furnish the poles and the labor. Said petition has been referred to the bureau of posts.

We have also telegraphic communication with Jaro, Tunga, Carigara, Ormoc, Baybay, Hilongos, and Maasin.

A regular mail service every fifteen days with all of the pueblos, especially with those on the bay of Malitbog and Naval, Almeria; and Caybiran, on the island of Biliran, that are reached neither by the telephone nor by the telegraph lines, would be desirable. If the bureau of posts could establish this service by land in the same manner as in Cebu it would not cost much; or by a launch service, one-half of the expense of which could be paid by the provincial board and the other half by the said bureau. A launch of the type of the *Siasi* costs ₱1,550 per month to run. If the board continued to use it for two weeks, including the carrying of the mails, and it were to be used exclusively for mail the other two weeks, each party could pay ₱775 per month.

Convention of presidents.—On July 16, 1906, a convention of the municipal presidents was called. Out of the 34 in the province 28 attended. Their recommendations have not yet been considered by the provincial board as a body, it having been resolved by the board that each of its members first make a study of the said recommendations.

In January, 1906, it was impossible to convoke the convention on account of several municipal elections then pending confirmation and of the nearness of the election for provincial governor.

PUBLIC INSTRUCTION.

The province is at present divided into 19 school districts, each of which is in charge of an American inspector. The number of Filipino insular teachers is 5 and that of the municipal teachers is as follows, according to pueblos:

Tacloban -----	11	Ormoc -----	11
Palo -----	25	Palompon -----	7
Dulag -----	11	Leyte -----	3
Abuyog -----	2	Naval -----	8
Hinunangan -----	5	Caybiran -----	9
Caballan -----	8	Carigara -----	12
Malitbog -----	14	Jaro -----	22
Maasin -----	7	Dagami -----	17
Hilongos -----	7		
Hindang -----	5		
Baybay -----	10	Total -----	194

The average salary of the American teacher is ₱193.70 per month; that of the Filipino insular teacher, ₱40, and that of the municipal teacher fluctuates between ₱10 and ₱35. It is the general opinion that, considering their present work, these latter are well paid. They do good work, and I have heard them well spoken of both by the division superintendent of schools, Mr. Fisk, and by several American teachers.

The detail statement of school attendance in the pueblos is as follows:

Pueblos.	School population.	Enrollment.	Average of attendance.	Percentage of school population enrolled.
Tacloban.....	2,398	724	85	30
Palo.....	3,496	929	96	27
Tanauan.....	3,651	1,391	93	38
Dulag.....	2,976	325	88	11
Tolosa.....	1,035	333	88	32
Abuyog.....	1,788	134	97	8
Hinunangan.....	2,824	444	76	16
Cabalian.....	1,242	447	93	36
Liloan.....	864	447	95	52
San Ricardo.....	858	263	96	31
Sogod.....	1,739	390	74	22
Malitbog.....	2,206	594	78	27
Maasin.....	4,739	645	88	14
Hilongos.....	2,495	363	88	14
Bato.....	1,094	142	90	13
Matalom.....	1,181	155	89	13
Hindang.....	1,332	187	80	14
Inopacan.....	1,102	199	78	17
Baybay.....	4,598	958	77	21
Ormoc.....	4,152	592	82	14
Merida.....	1,727	.....	.....	.....
Palompon.....	2,039	491	80	24
San Isidro.....	2,465	649	85	26
Leyte.....	1,383	562	83	40
Naval.....	913	309	63	33
Almeria.....	868	400	87	46
Caybiran.....	1,677	783	80	47
Carigara.....	3,276	612	90	19
Barugo.....	2,472	512	84	21
Babatungon.....	1,031	266	80	26
Jaro.....	2,213	904	90	45
Alang-Alang.....	2,615	890	86	32
Dagami.....	2,518	1,018	89	40
Burauen.....	3,639	1,331	90	36
High school.....	.....	135	99	.....
Total.....	74,606	18,522	86	24

The averages for Merida are included in the figures given for Ormoc, to which district it belongs.

I have personally inspected the schools. I can not judge of the progress made in English and other branches of learning, not knowing that language, and on account of my being unable to stay long at the schools witnessing their work. Teachers say that they have progressed as much as in other provinces, and there are pueblos like Tanauan, Leyte, Palo, Alang-Alang, and Jaro where the interest in education is great. The change which has made inspectors of former teachers has discouraged some of the pupils, who preferred to be taught by the American teachers.

Tanauan is perhaps the pueblo having the best school, which consists of a magnificent and spacious edifice constructed for a municipal building, but which is now devoted to educational purposes. Palo also has a good central school and excellent barrio schools.

Under the direction of Principal Marquardt normal classes were held at Tanauan from November 22 to December 23, 1905, which were attended by the teachers and pupils of the pueblos of Leyte, Naval, Almeria, Caybiran, Carigara, Barugo, Taacloban, Babatungon, Tanauan, Palo, Dulag, Tolosa, Alang-Alang, Jaro, and Abuyog.

Total enrolment, 306.

Male teachers, 79; female teachers, 38; total, 117.

Pupils: Male, 119; female, 70; total, 189.

The same thing was done at Ormoc for the balance of the pueblos of Leyte, under the direction of Principal Clarence T. Allen. The unfortunate incident which led to his death as the result of an assault from Pupil Juan Cabiling closed the classes and caused the return of each American teacher to his district, where normal instruction was continued to their respective pupils.

Palo, Tanauan, Dulag, Jaro, and Carigara have intermediate classes taught by American teachers.

The provincial school at Palo has not had as great a number of pupils as might be desired. The records for the year 1905-6 were as follows:

Fourth grade	50
Fifth grade	39
Sixth grade	22
First year	14
Total	125

The registration for the present year, 1906-7, is as follows:

Fourth grade	61
Fifth grade	50
Sixth grade	21
First year	13
Second year	13
Total	168

Palo being the pueblo taking the liveliest interest in education obtained the provincial school; but this was an anomalous condition of affairs, and when it was thought to build a permanent school the endeavor was made to transfer it to the provincial capital. The contest between Palo and Tacloban was vigorous, but the provincial board finally decided in favor of the latter town, where the term for this year has already opened. The principal, Mr. Saterthwite, was succeeded by Mr. Marquardt, the present incumbent. In connection with the provincial school are two dormitories, one of which has 13 girls and is under the direction of Miss Hultman; and another, with 30 boys, under the supervision of Señor G. Palami.

At the beginning magnificent plans were made for this school, but they have to be foregone on account of the cost which the provincial board considered too great to meet. By a late resolution of the board it was decided to adopt one of the simple plans provided by the bureau of education. At the present time the school is established in the municipal building, which was turned over by the municipality of Tacloban and put in condition for school purposes at the expense of the provincial board.

MUNICIPAL ADMINISTRATION.

As a general thing the administration of the pueblos is conducted in an orderly and systematic manner. In the majority of the towns greater interest, activity, and initiative could be exacted from the municipal officials who content themselves to complying, as best they can, in a routine way with the duties of their municipal offices. I have received complaints only against some of the municipal officials—presidents especially—of Tacloban, Palo, Tanauan, Dagami, Burauen, Caybiran, Babatungon, Alang-Alang, Ormoc, Almeria, Cabalian, and Hinunangan. The majority of the charges are trivial, while others are the result of personal and political animosities. In Tacloban and Caybiran the suspension of the president was determined upon, though in the first case it was followed by reinstatement; in Alang-Alang the municipal police were disarmed, though subsequently their arms were returned to them; in Almeria the trouble arose over a question of Aglipayanism, the situation being a difficult one, but fortunately conditions have changed and the excitement has been calmed; in Hinunangan the municipal council suspended the justice of the peace, and as a result of this action all of the members of the council were investigated. Some complaints against them are still under investigation.

For the third time litigation regarding the boundaries between Burauen and Dulag has been started, this matter having resulted in great animadversion between these two pueblos. Other questions of boundaries are pending settlement between Dulag and Tolosa, Abuog and Dulag, Palo and Tacloban, Tanauan

and Palo, Bato and Hilongos, Matalom and Bato, Palompon and Merida, Carigara and Barugo, and Naval and Caybiran. As a general rule the boundaries between municipalities have not been well determined, giving origin to questions and annoyances.

By an act of the Commission the seat of municipal government has been changed from Sogod to the barrio of Consolacion.

The provincial board has recommended to the Commission the separation of the barrios of Villalon, Villahermosa, and Hubay, of the municipality of San Isidro del Campo, from the said municipality and their return to their old municipality of Leyte, but up to the present time the Commission has not acted in the premises.

The consolidation of the municipalities either has not been well understood or has been unable to inspire resignation in the inhabitants of the pueblos abolished, as Maripipi has repeatedly petitioned for its separation from Almeria, and Alguera is thinking of doing the same with respect to Ormoc, Villaba with respect to San Isidro, and Hinundayan with respect to Hinunangan. The populous barrio of Anahauan, now consolidated with Hinunangan, has asked to be fused with Cabalian.

Of course the provincial board understands the criterion of the legislator as not being favorable to segregations, and has been maturing a plan for consolidating Liloan with San Ricardo, transferring the seat of municipal government to the barrio of Pintuyan, Inopacan with Hindang, and to insist upon the convenience of the consolidation of Maripipi with Almeria, with the seat of municipal government at the barrio of Cauayan.

Babatungon is a municipality so poor that it is unable to pay the salaries of its police, the province having now assumed their payment. It should be consolidated with Tacloban or Barugo, but on account of its strategic location, as the key to the Straits of San Juanico, it has retained its independence.

Some municipalities, such as Ormoc, Maasin, Baybay, and Abuyog are insolvent, the first three named being very important municipalities. Thanks to an intelligent administration, Baybay will cover its deficit of ₱2,000 and have a surplus left over of more than ₱1,000.

It should be remembered that three municipal treasurers were prosecuted for embezzlement. Recently the municipal treasurer of Baybay was suspended on account of a defalcation, which he was able to make good at once. The one at Dagami was not only suspended but turned over to the courts for a like reason. He was unable to make good the shortage of ₱1,100. Dagami and Baybay are good municipalities and administered financially by treasurers esteemed for their intelligence.

The new assessment of land has been carried on with an interest which could not have been greater. Nearly all of the municipalities have completed their work. As regards the fairness and justice of the new assessment, they will be disclosed during the period of appeals and equalization.

AGRICULTURE, INDUSTRY, AND COMMERCE.

Agriculture.—Not having received information from all of the pueblos I shall limit my remarks to the result of personal observation, to expressing my ideas with regard to certain subjects, and to more or less approximate estimates.

Agriculture has passed through a crisis, but not so great as in other provinces, because the consequences of the war, animal epidemics, and famine have not been as strongly felt here as elsewhere. As Leyte is essentially a hemp-producing province, the lack of draft animals has not effected hemp raising to a great extent, as they are not necessary for its cultivation.

The greatest enemies of the plant are drouths and storms. In some regions it did not rain from November, 1905, to March, 1906, which occasioned a loss of 30 per cent of the crop. This remark applies to the northern part of the island of Biliran.

No storms of any consequence have been recorded since July, 1905.

The hemp crop is estimated approximately at 450,000 piculs during normal times for Leyte and adjacent islands. It is the general belief that during the fiscal year the crop did not reach 400,000 piculs. During the entire year 1905 there was a depression, which lasted until March, 1906. The quarter from April to June showed a reaction, and the months following were looked upon as a period of agricultural reconstruction until the recrudescence of pulahanism.

There is now a general paralysis throughout the disturbed region which will

reduce the crop to two-thirds of what it would have been. Supposing that the disturbances will last three months, shrinkage in hemp production will amount to 21,000 piculs.

Copra to the amount of 50,000 piculs has been harvested throughout the province.

In the months of February and March, 1906, an extraordinary corn crop was gathered in the region lying between the pueblos of Hilongos and Palompon, including those of Hinding, Inopacan, Baybay, Ormoc, and Merida, especially in Baybay and Ormoc. Prior to this harvest corn was sold at ₱4 a cavan, but afterwards it got down as low as 75 centavos a cavan in the hills on account of its abundance.

The phenomenal thing about this large harvest is the fact that in spite of the lack of farm animals and notwithstanding the drought having dried up all of the stalks, when planting time came around, large areas were seeded after burning. The amount of land planted in corn was triple that of regular years. The amount of rice grown in the province is insignificant; however, the last crop gathered in January and February was fair.

Experiments are being made on a small scale in several of the pueblos with maguey. There are some persons who predict that in spite of the fact that Leyte is so suitable for the cultivation of hemp the future will show that maguey will be a serious competitor on account of the quantity of fiber it yields and the simplicity of its cultivation.

Billiran, Ormoc, and Sogod formerly produced cacao and coffee of excellent quality. Now the production is almost nil. I am personally acquainted with an enterprising agriculturist who has made extensive plantations of cacao at Caybiram, island of Billiran, the results of which will be apparent within three or four years.

The tobacco grown in Jaro has a great reputation for its aroma among smokers. Some prefer it to the best leaf of Cagayan, Luzon. The amount cultivated has diminished during the past few years. Probably not over 500 quintals a year are produced.

During the last few months swarms of locusts have appeared in nearly all of the pueblos, and an attempt is now being made to exterminate them. They have done quite a little damage to plantations.

It is worthy to note that for the past two years at a place called Tingib, in Dagami, two Americans, one of them named Fatherengill, have been engaged in agricultural pursuits with the aid of Japanese. They cultivate hemp and are making experiments with other crops, in accordance with modern methods of agriculture. Their manner of life can not be bad, inasmuch as Mr. Wenzell resigned the office of district auditor to go into partnership with them.

Industry.—As a general thing, the industries of the province are few and rudimentary. There are no large undertakings. Fishing, the making of textiles, embroidery, the distillation of tuba, the cutting of firewood, etc., deserve no special mention.

There remains but the recollection of the enterprising spirit of Mendezona, who five years ago desired to go into the lumbering business on a large scale.

There are two sawmills, one in Tacloban and another in Palompon. The former represents a monthly gross revenue of ₱1,500, and the latter, though better equipped, ekes out a languid existence owing to lack of demand.

At Baybay a soda-water factory and a brickyard have been established, but were recently obliged to close down on account of lack of custom.

There is another soda-water factory at Malitbog, the output of which is sufficient only for local consumption.

There are four hemp presses run by steam at Tacloban, one in Carigara, and another in Malitbog, with a daily output of 200 bales of hemp when running. There is another press worked by hand power at Baybay. At Liloan the Compañía Tabacalera went so far as to put up the building, but did not install the machinery for another press.

Commerce.—For the past year there has been a crisis in business that experts attribute to two causes—the withdrawal of credit and the scarcity of money in circulation. The latter is true, several merchants having told me that whenever they have asked for money the central houses have either refused on the ground that there was none or have sent less than was requested.

Formerly it was the practice to advance money to hemp growers, hence the term "abonados" as applied to those who have bound themselves to deliver hemp. It is a very ancient custom. But as many hemp dealers failed or had large amounts distributed throughout the hemp regions that were uncollectible,

on account of the abonados' failure to meet their obligations, this irregular custom was done away with and business is now conducted on a cash basis. This naturally worked a revolution, as a widely generalized practice can not be changed without serious consequences. The slowness of the demand is attributed in part to this change.

As a result of the practice, the powerful house of Smith, Bell & Co. have closed down all of their agencies. The *Compañia Tabacalera* has closed down several, only four remaining. Other dealers have been content if they are merely self-supporting.

A symptom of reaction is the proposed plan of the *Tabacalera* to reopen its agencies.

The principal articles of exportation were hemp and copra, the prices of which have not suffered great fluctuations in the market. The average price of the former has been ₱22 and of the latter ₱7 per picul.

The principal imports have been rice, petroleum, cloth, salt, and gin. The amount of rice imported during the past year was probably not under 400,000 sacks. In the port of Tacloban alone 1,500 boxes of petroleum are imported every month. A considerable quantity of cloth is also imported.

Prior to the enactment of the internal-revenue law about 2,000 arrobas of anisette (native wine) were imported into the port of Tacloban. Now, notwithstanding the decrease in the schedule and consequently in the price, only about 200 arrobas per month are sold.

The fire at Tacloban which took place on March 3, 1906, caused a loss in the business part of the town of some ₱100,000.

Respectfully submitted.

JAIME C. DE VEYRA,
Governor of the Province of Leyte.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF MINDORO.

OFFICE OF THE PROVINCIAL GOVERNOR, PROVINCE OF MINDORO,
Calapan, July 10, 1906.

SIR: In compliance with law, I have the honor to submit the following report for the year ending June 30, 1906:

While frequently inspections of the principal barrios, or seats of township government, have been made during the year, I have recently made a thorough inspection of every barrio, ascended many of the larger rivers, and crossed the island of Mindoro on either end. The trip was made by small boat, horseback, and afoot, enabling me to see the country as probably never seen before by anyone. I found conditions far beyond my fondest hopes—cocoanuts, hemp, coffee, and cocoa being planted by thousands; houses, large and small, being constructed on the farms, and everywhere abundant proofs that the Mindorinian at last realizes that he has a fortune coming to him from the soil—a soil so rich that, in the language of an American soldier, "a can of baked beans will sprout in a night."

While the bolo has been doing this excellent service in clearing the forests for agricultural purposes, its use for less peaceful purposes has been somewhat too frequent, but there has not been a single instance of "bandolerismo," nor a crime of a political nature. Life and property are apparently as safe here as in any of our States at home, and I dare say property is even more so.

The result of the elections last fall, which in many instances, can not fairly be called the genuine wish of the people, even though the expressed one, has been satisfactory. Three presidents out of eight were reelected and all, with the new councilors, are doing fairly well and show a desire to build up their towns, appropriate funds for public utilities rather than increase salaries, and all, without a single exception, are getting the children into school.

A pier, having 14 feet of water alongside at low tide, has just been completed, and a contract let for a provincial government building, to be erected on high ground just in rear of the pier. This building will be modern in every respect, built of Mindoro woods, and will cost ₱18,433, to be paid for out of the road and public improvement tax.

The township of Calapan is about to begin the construction of a large warehouse at the pier which will not only be a source of revenue to the township treasury, but will be the means of bringing many steamers to Calapan that will not now come, owing to the great cost and loss of time in loading.

Two excellent bridges have been completed on the trail between Calapan and Naujan and a third begun. One of these bridges and three more between Calapan and Baco have been paid for from township funds entirely (Calapan), while Naujan has just appropriated ₱1,000 from its own funds to be added to an appropriation of ₱800 by the provincial board from the township and settlement fund for the construction of a bridge across the river between that town and the beach.

Lubang has also appropriated funds for the construction of bridges and a pier at Tilic, and Pinamalayan is only lacking a few hundred pesos for a projected water system. Bulalacao has an excellent water system, piped about a mile, and has recently requisitioned for hose for its fire department.

The road and public improvement tax will bring in an annual revenue of about ₱15,000, which, when the government building is completed, will allow us to do considerable trail building.

AGRICULTURE.

Mindoro harvested more than 200,000 cavans of palay last fall, and lost almost a third as much more through lack of labor. The plant this year has been at least double that of last year, and the thousands of hemp plants set out in 1904 are ready for stripping, so the question naturally presents itself, How is this crop going to be harvested? It would seem incumbent on the planters to "get busy" and encourage, rather than discourage, immigration to Mindoro.

I think the people are slowly waking up to the possibilities of the maguey plant, which is found on every island of the thirty-three comprising the Mindoro group, and here is an excellent chance for the owners of "maguey machines." I believe, too, any old machine for stripping hemp would sell here like the proverbial hot cake, if the owners or agents would take half the trouble to advertise their wares as is taken with a certain electric belt.

COMMERCE, INDUSTRY, AND MANUFACTURES.

Cocoanuts, hemp, timber, buri, almaciga, beeswax, bejuco, dyestuffs, rajas (firewood), and dried fish have been exported in larger quantities than ever before in the history of Mindoro, and this year should see us well up in the lead of the hemp-producing provinces, and hemp of excellent quality, so pronounced by fiber experts.

The two sawmills at Bongabong and Camorong are doing well, and would do better if they would cater to local trade, but the demand is so great in Manila that the log will bring a greater price there than the lumber here, so no effort is made to get the native trade, which, in my opinion, is a mistake. Several new large timber concessions have been granted for this year; more coal claims have been filed (at Bulalacao), and an experienced miner has found good "colors" (gold) in the mountains somewhere back of Calapan.

Excellent petates (mats) and a cloth from the buri sprout are made at Bulalacao and should be quite a source of wealth to the makers, but unfortunately (?) the people of Mindoro as a whole do not seek wealth. And is it to be wondered at when their food, drink, clothing, and bedding can be gotten from a single tree, the "buri." From this tree is gotten a sugar very much like maple sugar in taste; a tuba capable of producing a most glorious drink; a flour which, when washed in sea water, is very much like our tapioca; hats, mats, and cloth are made from the sprout, and then we have the remaining trunk, which will serve as a banco for a few weeks. I think it is safe to say that we, the "americano," are doing far more worrying over the poverty of the native than does he. He is happy, and no doubt has many a laugh at the "heap big fool white man."

PUBLIC INSTRUCTION.

Good progress has been made during the year, but the American teaching force is not sufficient by at least half. Naujan and Lubang, the largest towns in the province, are without an American teacher, and both towns have a school population of over a thousand each. An American woman is teaching at Paluan, for which she is paid from township funds. Naujan and Lubang should each have an American supervising teacher, and at least two should be stationed on the west coast of Mindoro.

The people of this province have been most liberal in their donations for school purposes. Thirty-nine school buildings have been built largely by public

subscription, and they have only recently subscribed ₱1,200 for the erection of a dormitory at Calapan.

An industrial school building has been completed at Calapan within the year and has all necessary furnishings except teachers. Until such teachers can be supplied, the building is being used as a secondary school. A secondary school building proper is a necessity and it is hoped the Commission, under the provisions of section 17 (n) of act No. 1396, will provide for the construction of such a building in the near future.

Mr. Austin Craig is now acting division superintendent of schools and, as he has had much experience in that line, it is hoped he will be more successful in bringing the needs of the schools to the proper authorities than I have been.

NONCHRISTIAN TRIBES (MANGYANS).

The "settlement" of these little people at Lalauigan has grown considerably during the year, and now boasts five carabao. They have planted rice, corn, camotes, and about 300 cocoanuts. The males have employment cutting "rajas" for a Spaniard, who treats them most liberally, and from whom they derive quite a revenue—not cash, but clothing, bolos, axes, rice, and household furnishings.

A settlement, Banganay, has gotten fairly started near Santa Cruz, on the west coast, and has a school with an enrollment of seventeen boys. The teacher, a Filipino, is paid from the township and settlement fund and works under the supervision of Mr. William E. Brown, employed as supervising teacher for Mangyan work. Mr. Brown has accomplished wonders and is deserving of great credit.

No books are used in this work, but they are acquiring a working knowledge of English, and are learning to make nipa shingles, "sinamay," and, last, but not least, have learned that an occasional bath is good for the body, if not the soul.

One of the Mangyans returned from St. Louis, armed with a "certificate of merit" and, clothed in a most elaborate bandmaster's uniform bedecked with medals, set himself up as "general-in-chief of the Mangyans, appointed by the President of the United States," and ran things with a high hand for a few days near Bulalacao, but fortunately he was removed from his high horse with no more damage than injured feelings. The carabao, beads, pigs, and chickens paid him as tribute have been returned in kind or paid for.

School will be started at Lalauigan in a few days, where the presidente has erected a very respectable nipa school building.

PUBLIC HEALTH AND SANITATION.

While the towns are kept remarkably clean, so far as the houses and streets are concerned, it seems impossible to keep the native from drinking and bathing in the same well.

The death rate among the poor and ignorant is something beyond belief, due almost entirely to ignorance. There is not a native physician in the province, and but two that can be called practicante. I have lectured to them on sanitation, and have distributed far and wide the excellent little pamphlet on care of infants, issued by the bureau of public health. Some good may result, but it is not apparent as yet.

It is believed an artesian well can be sunk in every barrio at a very moderate cost, and it is my intention to at least attempt it as fast as money is available. Even though the water should not be of the very best it can not be made worse, as is now the case, by using the well as a public bath tub.

RECOMMENDATIONS.

I sincerely hope that the new penal code, which I understand is soon to issue, will not consider any crime as private. Crimes that we are taught at home almost warrant action by "Judge Lynch," and often so handled, the Spanish code treats as private crimes, and the fiscal, or public prosecutor, forbidden to prosecute the same. I am sure the records here and throughout the islands will bear me out in the assertion that the perpetrators of these "private crimes" are, in nearly every instance, men of the middle class; men, though once of the poorer class, who have made a winning at the cock pit or in

some similar manner, and thus become worthy (?) of some attention. (This is the class that abuse the poor and ignorant far more than does the "principale;" but this is true the world over.)

Once fixed in his new social position, a harem is the next important adjunct, and one easily acquired, for the female of the same type is as proud of a flashy dress and camisa as is the man of his patent leathers and standing collar. After a short time the legal wife becomes aware of the doings of her legal lord and master, and charges are brought against the offenders. She must prosecute all concerned, or none. If bound over for trial by the court of first instance, our defendant, by reason of his newly acquired social standing, quickly secures bail, and by the time the case is ready for trial such effective threats have been made that the offended woman appears before the court and sues for pardon, which the court is required by the same law to grant. Coercion is suspected, and is often apparent, but the same threats that caused her to sue for pardon will also compel her to refrain from acknowledging that threats have been made.

This class of crimes is far too frequent, and will only become less so when the government prosecutes and the convicted person has but one chance for a pardon—through the usual pardoning power.

It is suggested that witnesses duly summoned before the court of first instance be furnished food and shelter. The present law certainly works a hardship on them and makes it extremely difficult to get them. If a per diem was allowed we would soon have a class of professional witnesses, and the Lord knows (as does the judge) the unprofessional gives the truth some hard jolts.

An additional paragraph to act No. 1285 (Society for the Prevention of Cruelty to Animals), authorizing the killing of helpless animals by the proper authorities, is recommended.

A few weeks ago a mare and colt were brutally cut by a bolo here. The mare's tongue was cut out and the colt's nose severed. After having the poor brutes shot I found I had no authority to do so, as did the owner, so in order to avoid a lawsuit the animals were paid for. The costs were not ruinous, but the principle is. Then, too, there are many animals here that would probably bring a better price shot than at public or private sale.

It is recommended that the jurisdiction of the justices of the peace in the provinces organized under the special provincial government act be extended to cases where the maximum penalty does not exceed one year. It has frequently happened here that accused persons have been confined for four or five months before trial only to receive a maximum penalty of eight months or a year. I think, too, prompt trial and conviction, or acquittal, would be in the interests of justice.

A few changes in the township government act are recommended, but these have been made the subject of a special report, which is now in the hands of the secretary of the interior.

Respectfully submitted.

R. S. OFFLEY,

Captain, Thirtieth U. S. Infantry, Governor of Mindoro.

The EXECUTIVE SECRETARY, Manila.

NOTE.—Financial statement accompanying this report is on file in the War Department.

REPORT OF THE GOVERNOR OF THE PROVINCE OF MISAMIS.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF MISAMIS,

Cagayan, July 20, 1906.

SIR: The provincial governor of the province of Misamis has the honor to submit his annual report for the fiscal year ending June 30, 1906.

AGRICULTURE.

Hemp is grown in nearly all of the pueblos of the province. This year its production was notably less than last. The cause of this was the drought experienced during this and preceding years. The plants set out in 1905 had developed satisfactorily during the rainy season and offered a hopeful prospect

to the planters, but in November the drought began, which lasted until June of the following year, and this caused them to cut the plants and begin stripping before the season. In the island of Camiguin, the largest hemp producer in this province, where during former years drought had caused inconsiderable damage, the entire crop planted in the lowlands was lost, causing some want among the laboring class. Two years at least will be needed before the hemp fields are restored to their former condition. It is only in the hemp fields of the mountain people, which are far from the coast and in the interior of the island of Mindanao, that the drought has done no damage.

The cocoanut plantations of the province are increasing in importance, as owing to the fact that they can be set out with the aid of farm animals, which are getting scarcer all the time, and at small expense, many thousand trees have been planted and will continue to be planted. The production of copra has fallen off owing to the bad effect of the drought on the fruit, though the trees are now nearly in as good condition as ever.

Owing to the small number of carabaos the major part of the lands given over to the cultivation of corn have not been used for that purpose, though many of them have been planted to cocoanuts. The second crop of corn of 1905 was fair and by it many of the inhabitants were freed from want. Some of the harvest is still on hand in warehouses and granaries. The existence of this surplus is due to the monetary crisis and to the low prices paid for corn, as it is generally the custom of farmers to sell their surplus supplies in order to get money with which to buy what they need. In some parts of the province where there are no carabaos planting is done by manual labor, by means of a semicircular knife called *susia*, which is manipulated by being fastened on the end of a piece of cane and serves the purpose of cleaning the land of weeds.

The rice crop gathered last year and at the beginning of the present one was small in the pueblos where there are no irrigated lands, properly so called, and fair in those where there is good irrigation and ditching. But even had the rice and corn crops been good they would have been insufficient for local consumption and would have necessitated the importation of foreign rice.

If the municipalities had sufficient funds to undertake improvements of some importance they could do a great deal of good in the pueblos where rice lands are not properly irrigated and have to depend solely on rain by bringing in water from the rivers. In that event a great stimulus would be given which would result in the redoubling of efforts to extend the cultivation of rice even without the aid of cattle.

During the fiscal year the rinderpest has again appeared, and caused the death of 186 carabaos and 83 head of cattle. These figures do not include the number dying in several pueblos during the past two months, during which there has been a recrudescence of the disease, on account of their having failed to send in the necessary data.

Sweet potatoes, plantains, as well as tubers of various kinds, are a great aid in furnishing food for the people living in the plains and mountains.

There are only two sugar plantations in the province at present, one at Ballangao (Langaran) and another at Gusá (Cagayan). The sugar produced by them is sold for local consumption in the neighboring pueblos or bought by dealers who sell it at retail in the pueblos of the neighboring provinces.

A great deal of interest is being taken in the cultivation of maguey, in view of the efforts of the bureau of agriculture and publication of a bulletin on this subject, published by it some years ago and reproduced by some of the newspapers of the capital and of the provinces. At some places in the municipal district of this provincial capital there is a wild maguey which has been set out as an experiment in several pieces of land, though it is believed that it is not the kind fit for cultivation on a large scale. However, several experiments have been made and a good, fine white fiber more than a meter in length has been produced. If possible, it would be a great help if the bureau of agriculture would distribute a sufficient quantity of maguey seeds among the municipalities having lands adapted to its cultivation and which can not be used for hemp.

The methods of cultivation are very antiquated and the agricultural implements used very rudimentary, with the exception of those recently acquired by a few planters of the wealthier class, but it is hoped that the balance will profit by their experience and provide themselves with like implements, when they learn of the good results of their use.

In nearly all of the pueblos of the province thick swarms of locusts have been seen, much to the discouragement of the people. Fortunately, however,

they have not caused great damage. The people do not need to be told, but willingly perform the work of exterminating this plague. Every one of the pueblos will make all possible efforts to exterminate them. In many places in the province the rice fields are in a very advanced stage of growth; on the other hand, in some seeding is just beginning. It can not yet be said whether the locusts will or will not destroy the next rice crop, in which the inhabitants have placed all their hopes.

COMMERCE.

As regards the commercial condition of the province, I will say that in view of the disastrous effects of the drought on the hemp, copra, rice, and other crops, there has been a marked diminution in production, resulting in a like depression in business, which is further aggravated by the monetary crisis felt throughout the archipelago.

Commerce is also affected by a lack of animals for transportation purposes. As is well known, the settlements of hill people, or non-Christian tribes, are located in the mountains in the center of Mindanao, at a long distance from the coast, and it is impossible for them to find an outlet for their products both on account of the lack of cattle and the bad condition of the roads.

The most important commercial establishments are in the hands of foreigners. There are very few native merchants on a large scale, as, with a little capital, they can not compete with the Chinamen, who are established in all of the pueblos and monopolize all lines of trade.

ECONOMICS.

As a result of the scarcity of laborers and the sparsity of the population, wages vary from 75 centavos to 1 peso a day for unskilled labor, and from 1 to 2 pesos per day for carpenters, for which reason the small stretches of road that have been constructed or repaired up to the present time have cost a great deal.

The expenses for salaries and wages, both municipal and provincial, have been reasonable and even low as regards the municipal treasurers, who are at the same time deputies of the provincial treasurer, considering the immense amount of work that they are obliged to perform, this being the cause of the recommendations frequently made in their behalf. As a matter of fact, their own work and that of their few assistants keeps them so busy that they have scarcely time for rest where the municipal jurisdiction has been greatly extended by consolidation, as in the case of Mambajao, Cagayan, Balingasag, etc.

Considering the condition of tranquillity prevailing in the pueblos, the expense of keeping up the municipal police force is small. Municipal expenditures are just and in proportion to municipal revenues.

It is hoped that during the coming fiscal year 1906-7 the provincial administration will improve on account of the measures of economy which have been introduced, such as the reduction of the salary of the provincial secretary from ₱2,400 to ₱1,200 a year; the abolition of the position of janitor of the provincial school at a salary of ₱120 a year; of the expense of ₱180 a year for rent of the office of the division superintendent of schools, which has been transferred to the provincial building; of the amount of ₱600 set aside for the maintenance of the judge of first instance, who has fixed his residence in the capital of the province; the reduction in the number of prisoners in the provincial jail to 15 from 200 for last year, and by other economies and savings, which will be made wherever possible without prejudice to the needs of the service.

FINANCIAL.

The general condition of the provincial treasury is fair in comparison to the results obtained at the end of the last fiscal year.

The following statement shows the revenues and expenditures of the provincial government and balances for the fiscal year:

	1904-5.			1905-6.		
	Revenues.	Expenses.	Balance.	Revenues.	Expenses.	Balance.
Road funds	₱14,056.64	₱3,836.86	₱10,219.78	₱16,531.10	₱5,678.80	₱10,855.30
General funds	57,725.97	53,483.87	4,292.60	45,670.25	39,008.83	6,661.42
Total	71,782.61	57,270.23	14,512.38	62,204.25	44,687.63	17,516.72

The decrease seen in the past fiscal year is due to the fact that, in accordance with the provisions of act No. 1455, the land tax is distributed monthly by the insular treasury, while last year it was turned into the treasury of the province as collected.

The collection of the taxes has been somewhat delayed by the present financial depression. Some taxpayers have had their property sold for taxes, as they were unable to pay the same.

PUBLIC INSTRUCTION.

The enthusiasm for education continues unabated; even the smallest barrios have erected schoolhouses at their own expense and are asking for teachers.

During the short time that the provincial school has been established it has demonstrated its good results, as pupils of both sexes have graduated and taken their places as teachers in the primary schools of the pueblos, under the supervision of American inspectors; while others have found employment in government offices. At the last examinations for eligibles for the civil service more than half of the candidates took the examination in English for the second and third grade. Nine high school graduates, of both sexes, also took the examination for insular teachers.

It can be said that now education prevails throughout the province. The only regret is that the provincial school has not yet a building of its own, for though ₱8,000 have been appropriated for this purpose from insular funds, the requirement is that the province make a like appropriation in order to cover the estimated cost of the work, which is ₱16,000. In spite of the desire of the provincial board to comply with the requirement mentioned in order to benefit by the appropriation from insular funds, it finds that at the present the finances of the province are not in condition to make the sum of ₱8,000 available. However, the undersigned believes it practicable to overcome this difficulty by a popular subscription, and he has already taken the first steps toward that end, in view of the fact that there is already available a piece of land of sufficient area for the construction of the provincial school building and for experiments in agriculture and gardening, the same having been donated by the municipality of Cagayan. The province is at present paying rent at a cost of ₱65 and ₱10 per month for two buildings for the high school, where domestic science is also taught.

The high school also has the necessary tools and implements for the teaching of carpentry and gardening. Moreover, the province has already acquired some lumber, and there can be no doubt that the provincial school will redound greatly to the benefit of many natives of the province.

The following figures show the daily attendance in the province:

Primary :		
Boys -----		1, 147
Girls -----		1, 000
Total -----		<u>2, 147</u>
Intermediate (Oroquieta and Mambajao) :		
Boys -----		60
Girls -----		64
Total -----		<u>124</u>
High school (Cagayan) :		
Boys -----		93
Girls -----		67
Total -----		<u>160</u>
Number of primary schools in the entire province -----		83
Intermediate -----		2
High school -----		1
Number of teachers :		
American -----		15
Insular native -----		7
Municipal -----		63
Probational -----		8

INDUSTRY.

The important industries of this province are the preparation for market of hemp and copra. Many laborers find profitable employment during the time that the commercial houses established at Cagayan, Mambajao, Talisayan, and Oroqueta are engaged in pressing and baling.

Minor industries, such as fishing, furniture making, boat building, the weaving of mats, pottery making, carriage building, jewelry manufacturing, and the weaving of textiles of sinamay, etc., have gained but little in importance, in view of the fact that they are carried on as household industries and not upon an organized basis by industrial companies, there being but little encouragement to regularly organized industries.

FACTORIES.

There is not a single factory in the province.

Two years ago there was a brick, lime, and tile factory conducted by a resident of this provincial capital, but shortly after it was established and when the output was making some improvement, he was obliged to close down on account of lack of demand, the business being only a source of expense to him.

NATURAL RESOURCES.

It takes but a glance to realize the richness of the soil; its wonderful fertility is to be seen in its exuberant and extensive forests which formerly were a great source of wealth, while its extensive plains afforded pasture for thousands of cattle that now, as a result of the ravages of the rinderpest during the past six years, are almost entirely exterminated.

There are very few pueblos which have not an abundant supply of pure water from rivers, while numerous streams traverse the rich valleys of the province.

As regards forestal wealth, this province is in the front rank. Its immense virgin forests abound in timber, classified in the first group, unexcelled for construction purposes, such as molave, tintálo or balayong, ipil, narra, camagon, etc. The magconó, or so-called iron wood, is an exception, however, as it is not found in this province so abundant as in the neighboring one of Surigao.

Cedar and other fine cabinet woods are also found in great abundance.

In addition, there are various classes of resinous woods yielding gum mastic, resin, bulltic, and palao, which are varieties of resin and largely used by the natives for calking their boats. There is also a great deal of gutta-percha, though no attempt has yet been made to gather it.

There is also an abundance of medicinal plants, the best known and most common being quina, macabuyay, sage, and lanzones, which are used as antifebriles; those of astringent properties, such as calibangbang, tupóc, lomboy, quava, cassia fistula, tungog, or talisay; antiseptics, such as jajonoy; depuratives and sudorifics, such as sarsaparilla; tonics and aromatics, such as caningag, silican, wormwood, rosemary, and sweet marjoram. There are also the famous tagolaoay, used by the Moros and hill people as a cicatrizant to heal wounds, and many other plants which are impossible to enumerate and which grow wild in the woods and yield active substances, such as the St. Ignatius bean, from which strychnine is derived.

Of oleaginous plants there are the cocoanut, the tangán-tangan, which produces the oil of resin, the biao, the peanut, and the tubá-tubá seed. All of these plants can be used as raw material for the manufacture of oils.

Among the textile plants are hemp and its varieties, which are the agutay, the plantain, the bululan, and the cantong, the pineapple, the lambago, and the anabú; the last two are of less tensile strength and fineness and are used only for cordage.

Among the dye woods are numbered logwood, indigo, saffron, and the calarorá, which are used for dyeing textiles, mats, etc. Many others must exist which have not yet been discovered.

For tanning we have the cassia fistula, the tungog, the talisay, camanchilas, the lomboy, the guava, etc.

Minerals.—There can be no doubt that in the island of Mindanao and within the province of Misamis gold, iron, copper, platinum, mercury, aluminum, coal, and other mineral substances are to be found, judging by the discoveries heard from to the present time.

The best known gold mines are the old ones situate at Pigtao, Bugsoc, Munigue, Piggulugan, and Bantuanon, about 15 miles distant from the provincial capital, toward the center of the island. The natives engaged in working these mines use very rude and primitive implements.

Recently copper has been discovered at the place called Munigue.

However, up to the present time, though the existence of these minerals has been proved, none of the persons who have undertaken to develop the mines on a large scale has been fortunate in his undertaking.

The gold brought down in small quantities by some of the inhabitants of the places referred to is found by them in placers in small quantities, though at times nuggets of considerable size are found.

There are at the present time 34 mineral claims recorded in the office of the provincial secretary, 4 of which, entered on June 22, 1906, and situate at Camayongan, in the hills of Agusan, at a distance of 96 miles from the mountain of that name, are a new discovery.

NONCHRISTIAN OR PAGAN TRIBES.

The non-Christian tribes of this province constitute quite a large contingent of inhabitants in the interior. They are scattered over various points in small settlements and have already acquired some ideas of civilized life. Some families, however, living in the fastnesses of the mountains, still lead a life of savagery. The main portion of these people, made up of the so-called bukidnon or hill people, are smaller and weaker than civilized Filipinos, but are docile and peaceable, law-abiding, and amenable to civilization.

There are two important nuclei in the province, made up of many settlements, the first, situate in the eastern angle of the province, who are semi-civilized, have adopted civilized dress, live in houses, and use articles like the sewing machine, kerosene lamps, and, among the well to do, even knives and forks; and the less civilized but tractable inhabitants of the hills back of the pueblo of Cagayan. Their townships are under the direct control of the provincial governor, who has power to name their officials, though a certain degree of autonomy is given them, in proportion to their importance and capacity in the selection of their officials, who consist of a president, a vice-president, and the necessary number of councilors, in accordance with the importance of each settlement as regards its number of inhabitants. These officials have been instructed always to act in accordance with the wishes of the majority, and it is hoped that in this way they will become experienced in the art of government.

At the present time these settlements have not the necessary funds for their necessities and improvements, owing to the reason that no taxes are collected. They construct their roads with the voluntary labor of the inhabitants; this remark also applies to their public buildings, such as the tribunal and school-houses; they also pay the salaries of one or two teachers in one or two settlements by means of public subscriptions. Each township has its own police force serving without remuneration. The more civilized are in favor of a system of taxation, understanding the necessities of imposing taxes for the betterment of their communities, while the less civilized are opposed to it. For this reason the undersigned is of the opinion that this is not the time to establish taxes in the settlements, and that a great deal of effort and tact will have to be used to win over those who dissent by making them see the necessity of this change, which will redound to their own benefit. In order to do this the undersigned purposes to make a visit of inspection to all of the settlements as soon as possible.

Their resources are hemp, corn, rice, sweet potatoes, bananas, coffee, rattan, and wax. Formerly, when they had animals to transport their products, they brought them to the Christian pueblos for sale. Now this means of transportation has almost disappeared, as the rinderpest has killed off most of the cattle. For this reason their products are sold to dealers who go to their pueblos for the express purpose of purchasing them.

Nearly all of the coffee exported from the province is raised by bukidnon. Cacao, a fine quality of rice, and other products are also cultivated by these people in the hills.

On February 14, 1906, the honorable Philippine Commission, at the request of the parties interested, resolved that the bukidnon pueblos of Calasungay, Malaybalay, or Orquleta, Linabo, Bugcaon, Mallag, or Sevilla and Pangalibatoan should be considered for administrative purposes as belonging to the

province of Misamis until the present boundary line be correctly determined, as the said settlements are outside of the imaginary line laid down as the boundary of the province of Misamis, and the inhabitants ask that they be allowed to remain with Misamis instead of going over to the Moro province.

Act No. 1147 relative to the branding and registration of cattle, is at present being enforced in the settlements by special agents appointed by the provincial governor, at whose request the time for its enforcement was extended to January 1, 1907, in accordance with a resolution adopted by the Philippine Commission on the 1st of last May. At the end of the fiscal year, that is to say, on June 30, 1906, the total amount collected for this tax in the settlements of non-Christian tribes was ₱743.

POLITICAL CONDITIONS.

Since the capture and conviction of the principal leaders and followers of the outlaw bands took place, tranquillity has followed the disturbances taking place in various pueblos of this province, so that at present the most complete peace reigns everywhere. But one member of the brigand bands is left in the field. He is a criminal of the worst type, and is named Louis Madrina alias Balodong. He has been able so far to evade the active pursuit of the constabulary and municipal police. Though a bad man he can not be a menace to public order as he is alone and only is concerned in finding concealment, besides he is an ignorant man and has no influence among the people of the vicinity where he is in hiding.

The constabulary force stationed at this provincial capital, on account of its good discipline and discretion, is sufficient to maintain order in the province. The region between Misamis and Langaran is looked after, so far as public order is concerned, by another detachment of constabulary under the command of the officer in charge of the district of Lanao.

The police force of the municipalities of the province, which formerly left much to be desired, has notably improved as regards organization and discipline; to such an extent, indeed, that it might now be provided with firearms, except in some municipalities where it is not so well disciplined. My efforts are directed toward placing this organization in a satisfactory condition. It has now a good uniform, and both its organization and discipline are subject to regulations, every means possible having been taken to attract retired members of the scouts and constabulary to its ranks, providing that their service records are good. Owing to all these facts I hope that in future this municipal institution will satisfactorily perform its important duties.

PUBLIC HEALTH AND SANITATION.

The health statistics of the province for the fiscal year just ended show that there have been 2,820 deaths and 6,857 births, a natural increase in the population of 4,037 inhabitants. The largest number of deaths was caused by intermittent fever.

The number of lepers is on the increase, as at the beginning of the fiscal year there were only 53, while now there are 56, in spite of the decrease due to deaths.

Vaccination was administered to 7,223 persons during the year. There was no smallpox in the province, with the exception of a case here and there.

The rinderpest again caused ravages, carrying off 186 carabaos and 83 head of cattle during the year.

As to sanitation, it can be said that the regulations of the sanitary authorities in the province and the ordinances of the municipal councils have been enforced, and that constant vigilance is exercised as regards the general condition of cleanliness in the pueblos.

Only three of the ten municipalities of the province have organized municipal boards of health; one of the presidents of the said boards served without compensation, as not possessing the qualifications required by law he can not receive salary. In the other municipalities the presidents perform the duties of chief sanitary officer.

Respectfully submitted.

APOLINAR VELEZ.

Governor of the Province of Misamis.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE MORO PROVINCE.

OFFICE OF THE GOVERNOR, MORO PROVINCE,
Zamboanga, P. I., April 16, 1906.

SIR: I have the honor to submit the following report for the period from July 1, 1905, to April 16, 1906:

The civilian members of the legislative council have continued unchanged since the organization of the province. There has been only one change among the military members during the past year: Capt. Frank R. McCoy, aid-de-camp, has been succeeded as Provincial Engineer by Capt. J. P. Jervey, Corps of Engineers.

There have been no important changes in the personnel of the district of Zamboanga.

In the district of Sulu Capt. W. R. Smedberg, jr., Fourteenth Cavalry, appointed to succeed Capt. Oscar J. Charles, Seventeenth Infantry, resigned his position in order to join his regiment in the United States, and has been succeeded as secretary by Capt. James H. Reeves, Fourteenth Cavalry.

In the district of Lanao Capt. D. B. Devore, Twenty-third Infantry, governor, resigned to join his regiment in the United States, and was succeeded by Capt. E. W. Griffith, Philippines constabulary, formerly secretary of this district.

In the district of Cotabato Capt. Robert O. Van Horn, Seventeenth Infantry, resigned to join his regiment in the United States, and has been succeeded as district governor by Maj. Charles T. Boyd, Philippine Scouts, and Secretary Frank J. Dunleavy has been succeeded by Mr. L. P. Hamilton.

In the district of Davao there have been no important changes.

Practically all the changes among army officers serving as provincial officials have been incident to the relief from duty in the islands of the regiments to which the officers belong.

Under authority given the governor by act No. 79, Mr. Allen Gard has been appointed to perform the duties of a special assistant in the district of Lanao, taking the place of Mr. John Chapman, who has been transferred to the district of Davao.

These are the more important changes in the personnel of the provincial government.

There has been a uniform and satisfactory progress in all districts. Conditions of public order have steadily improved, more land is under cultivation, and the inhabitants of the various districts understand much more fully than before the purpose and policy of the provincial government. In the district of Zamboanga, especially, excellent work has been done by Capt. J. P. Finley, Twenty-seventh Infantry, district governor, who has devoted all his time and energy to the development of this district, with results which are most satisfactory from an administrative standpoint, and are a strong argument in favor of the policy pursued by Captain Finley.

The Moro exchange at Zamboanga has developed beyond expectation and is transacting a very large amount of business with great satisfaction to the Moros and other non-Christian tribes as well as to the business community of Zamboanga. Branches of this exchange are being established in various parts of the district, and it is believed that they will exert a far-reaching influence in building up trade relations with the Moros and other non-Christian people. Although called "Moro exchanges," this name is not properly descriptive of them, as they are open to all non-Christian and savage people of the province, as well as to the Moro. The method of conducting these exchanges is extremely simple: The Moros and hill people are urged to bring their produce in, informed what the average market price is, given a place to remain themselves and store their produce until they can dispose of it, thereby aiding greatly in doing away with the practice so common among the Chinese and others of refusing to buy until the native was forced to sell at their price, usually a ruinous one, or carry his produce back to the mountains. A representative of the district government is constantly at the exchange, and every effort is made to extend fair treatment to all concerned. The success of the Moro exchange in the district of Zamboanga has led to similar exchanges being established on a small scale in the districts of Cotabato and Lanao, and large ones are projected in Sulu and the district of Davao.

Mr. J. M. Browne was appointed by the provincial governor under authority of Act No. 79 and assigned to the large island of Basilan, where, acting under the direct orders of the district governor, he has rendered most excellent service.

The people of this island, some 20,000 Moros, have given practically no trouble. The headmen, thus far, have been able to carry out the orders of the district governor, in almost all instances, without the use of constabulary. This condition is largely the result of the work of Datto Pedro Cuevas, who recently died. During his life he exercised the firmest control over these people, and taught them habits of obedience which have persisted after his death. Mr. Browne has taken up the work assigned to him with marked ability and tact, and is carrying out the policy of the provincial and district governors in a most satisfactory manner.

There have been no disorders in the district of Zamboanga, and a very small amount of crime among the natives. Writs of arrest have been served through the district headmen, in most instances without difficulty and without the use of force.

In the northern part of the district of Zamboanga, uncertainty concerning the boundary line between the Moro Province and that portion of the province of Misamis west of Iligan Bay has caused some confusion relative to the collection of taxes. This line is now being surveyed, and the misunderstanding over this question will soon be at an end. Conditions of disorder existing in this portion of Misamis have been such that the disorderly element has overflowed into Dipolog and neighboring settlements in the Moro Province, giving rise to the first unrest noticed in these places. In order to stamp this incipient trouble out, and at the same time give the assistant director of constabulary all the men needed to handle the conditions in the section of the province of Misamis above referred to, a company of scouts has been temporarily stationed at Dipolog. These conditions of unrest in this portion of Misamis appear to have been in a large measure incident to the extension of the Aglipayan movement, which as yet has not affected the Filipino element of the Moro Province proper.

The coast Moros in the district of Zamboanga are, as a rule, pacific in character, and have offered little resistance to our authority. This is probably due to a large extent to the fact that they were in close contact for generations with the Spaniards and learned the folly of resistance. There have been some few isolated instances, like that of Datto Mustafa at Dumanquilas, and a few of the followers of the Sultan of Maguindanao, about Dinas.

A considerable number of settlers are taking up land in the vicinity of Zamboanga, and also in the island of Basilan.

Large amounts of hemp and cocoanuts are being planted in the district, and a very considerable lumber business is established in Basilan.

The effect of the Moro exchange has been to stimulate very greatly fisheries among the Moros. Large quantities of dried fish are brought into Zamboanga for sale, not only in the island of Mindanao, but for export to Singapore and other places. Islands which were formerly inhabited by lawless people who were practically pirates are now the scenes of peaceful activity on the part of Moro fishermen.

The people of the interior, Subanos and other hill tribes, have received protection against the exactions of the Moro, who formerly, standing on the sea coast as the middle man, compelled the people of the interior to sell their produce to him at his own price; he, in turn, using it for trade with the merchants of the towns, or with the owners of local trading ships or steamers. He paid the interior people little or nothing for their produce, and kept them practically in a condition of slavery. This condition of affairs has been effectually done away with, and the people of the interior, as a result of the suppression of Moro control, are coming more and more to the coast, and, through the medium of the exchanges, are receiving a fair price for their produce.

In the district of Lanao conditions have improved steadily during the past year. No punitive expeditions have been necessary during the year, with the possible exception of a small expedition which was sent into the Maciu country to capture a few Moro renegades who were constantly firing on our launches and boats on the lake. The expeditions of the preceding two years have had a remarkably good effect upon these people, and it is not believed that there will be any more organized resistance on a large scale in the lake basin. In the high mountains surrounding the basin are bands of Moros, some of whom are restless and inclined to be troublesome, but they represent only small aggregations, and can be handled in many instances by the constabulary without the aid of troops.

In 1903 it was impossible to march around the lake without a fight, and a good many of them. Conditions were so serious that in the fall of 1903 and

spring of 1904 it was necessary to send large expeditions into the Taraca Valley to break up the organized resistance therein existing. Conditions all about the lake are now such that small parties of a few men can go about in most portions of the lake basin without danger.

In the mountains adjacent to that section of the lake region known as Maciu there are still some few hostile Moros, who are generally in hiding in the mountains some distance back from the lake. With this exception, there is no section which is not nominally friendly. It will, of course, be years before these people are on a really friendly basis. They are friendly now on the surface, in part because they know we are stronger than they, and in part because they have been honestly dealt with. Captain Devore, during his service as governor, accomplished much for the establishment of peace and good order among these people, and gained their confidence and good will. When he resigned conditions about the lake were such that whenever he sent out for any chief to come in he came promptly. The lake Moros regarded Captain Devore as their friend; they also recognized him as a man who had behind him the power of the government and would not tolerate any trifling on their part. Capt. E. W. Griffith, Philippines constabulary, now governor of the district, formerly secretary, has aided much in bringing about present conditions.

Every effort has been made by the civil and military authorities about the lake to give Moros as much employment as possible. A small government sawmill has been established for the purpose of cutting lumber for the new post at Camp Keithley, and much work has been given them on the construction of the road leading from Camp Keithley to Camp Overton and the Malabang-Vicars road.

The Moros of the Lake Lanao basin and of the surrounding mountains have always been a wild and turbulent lot, cut off, until recently, from the coast by some 20 to 30 miles of tropical forest. They have led a life apart even from the coast Moros, and from their secure fastnesses about the lake have raided the coast whenever they cared to. The Spanish Government made an active campaign against them with strong forces; built and placed on the lake four small but first-class gunboats and a number of steel lighters, and had everything ready to thoroughly crush opposition in this section at the time the war broke out with the United States, when operations were stopped. The gunboats and lighters were sunk in about 100 feet of water. Three of them have been raised in the past two years, also a number of the lighters—all in good condition—so that at the present time there is a fleet of steam vessels on the lake and a sufficient number of lighters to move a regiment to any section of the lake in a few hours.

The conditions which formerly existed around Camp Keithley and Camp Vicars and on the roads leading to them, and led to repeated attacks on sentinels, sniping hunting parties, stealing arms, etc., have largely passed away, and conditions of good order and friendly relations are becoming established. There will be, no doubt, from time to time questions arising which will require in their settlement the employment of force. Savage people, especially Mohammedans, whose religion accentuates their opposition to any control by Christians, can not be changed entirely in a few years, and the American people must not expect results to be accomplished in Mindanao, or elsewhere in the Philippines, in a few years, such as other nations operating under similar conditions have taken a century or more to accomplish.

The Moros about the lake have done a great deal in an agricultural way, and have exported during the past year something over 200,000 pounds of excellent coffee. They have also sent out considerable amounts of hemp and jungle produce, and furnished timber for construction at Camp Keithley. They no longer question in any way the authority of the government over the country, and they have learned pretty thoroughly the folly of resistance. Their change of demeanor dates almost wholly from the termination of the Taraca expedition in April, 1904. This expedition destroyed the resistance in the thickest and most densely populated sections of the lake basin (the Taraca Valley) which has two-thirds of the population living about the lake.

The disturbing element about the lake, as elsewhere in the Moro country, has usually been the Arab priest or the fanatical pilgrim recently returned from Mecca. On the other hand, one of the strongest progovernment influences has been that of the old high-priest Nascolin, who has always been friendly to the government and has preached to his people peace and good will toward us.

The relation of the troops to the Moros has been, when taken as a whole, one of singular forbearance. Only those who have lived in a country where they

are subject to constant treacherous attack and assassination can appreciate the bitterness which springs up against people engaged in these practices. There have been very few complaints on the part of Moros against the soldiers—remarkably few, considering the conditions existing.

In the Cotabato Valley conditions have been peaceful and orderly since the death of Datto Ali and the destruction of his following on October 22, 1905. This result was accomplished by Capt. F. R. McCoy, aid-de-camp, commanding an expedition composed of a provisional company of the Twenty-second Infantry and a detachment of scouts. The expedition was carefully organized under the orders of Brig. Gen. James A. Buchanan, temporarily commanding the Department of Mindanao, and was so handled by Captain McCoy that Datto Ali was surprised with his immediate following and killed, together with many of his immediate followers; all the rest except one were captured. Datto Ali, with a small but carefully selected and well armed following, had taken a position near the head of the valley, close to the great mountain range between it and the Gulf of Davao, and, although personally he had not been active during the preceding eight months, small parties of his people, acting under his orders, were constantly raiding the lower valley, and his attitude of resistance kept the whole valley stirred up. People were uneasy, agriculture was neglected, and the population had abandoned large sections of the country. In short, the condition was one of general suspense. Once Ali's force was disposed of there was an immediate change for the better; the people came back to their land, and have gone to work. The crops in the Cotabato Valley this year, it is believed, will be larger than in any previous year under our control.

Capt. Robert O. Van Horn, who resigned as governor early in the present year to rejoin his regiment, and, on account of important matters requiring his presence in the United States, was succeeded by Maj. Charles T. Boyd, Philippine Scouts. Captain Van Horn's services covered the most troublesome period in the history of the district while under our control. He was in the field commanding troops in active pursuit of Ali much of the time. His conduct of affairs was signalized by great energy, sincere interest in the welfare of the district, and good judgment. The Moros as a whole were fond of him, and trusted him. His work was successful and tended largely to the establishment of peace, and he left the district with the good will and confidence of the Moro population. Major Boyd has taken up the work where Captain Van Horn left it and is carrying it forward successfully. So far as known, there is no disturbing element active in the valley at present. Datto Ali's youngest sons are at school; his eldest son is in close friendly relations with the district governor and assisting him in every way. Already the increased output of rubber, gutta, and jungle products emphasizes the improvement in conditions. The possibilities of this district are very great; there is an enormous amount of land suitable for sugar, coffee, and cocoanuts, also a great quantity of gutta and rubber on the mountains surrounding the valley. The Tirurays and other hill tribes are friendly and anxious to bring their produce into market. Datto Ali's opposition to the government, his refusal to do away with slavery and slave dealing, have been the only obstacles which have held back the progress of the valley during the past two years. Now that these have been removed, a rapid advance can be looked for.

In the district of Davao, under the administration of Lieut. E. C. Bolton, Seventeenth Infantry, affairs have progressed steadily. There have been a considerable number of new settlers about the Gulf of Davao, some on the east coast, and a large amount of new construction in the way of houses, buildings, etc. This section is especially well adapted to the growth of hemp. The mountain people are friendly and willing to work. They are best handled as small settlements on the estate, the owner looking after their interests and welfare. Quiet, kind handling makes them willing workers. There is an enormous amount of unoccupied land, a healthful climate, good water—in short, almost every inducement to those who want to go into this industry. There are already a very considerable number of American settlers in this district; they are all doing well and are very enthusiastic over the country and their prospects. A very large amount of hemp has been planted at various points on the gulf and along the east coast, also cocoanuts in large quantities, and a very decided increase in jungle products has been marketed.

The inhabitants of the district of Davao, while not warlike in the sense that the Moros are warlike, have had their own little tribal wars and difficulties. Lieutenant Bolton has been remarkably successful in administering the affairs of this district, and is entitled to the highest praise for his work. He has

settled countless disputes among the small tribes, has tramped thousands of miles over the mountains to make repeated visits to them, has lived among them for months; in short, has done everything to establish peace, build up good relations between them and the white man, and induce a feeling of confidence. There have been no disorders worthy of the name in this district. No resistance whatever to local authority, except in one instance to a detachment of constabulary engaged in the arrest of a native murderer. Mr. O. V. Wood, the district secretary, and Mr. McCullough have also done good work and are entitled to much credit.

A considerable number of Japanese have settled in the district; they have not proved desirable settlers, and are not regarded with favor by the natives or whites. Removal from their own country with its traditional restraints has operated to make them a rather restless and undesirable element in the community. They do not appear to be especially anxious to work. This condition of affairs has been a great disappointment to the planters, who had expected to find among these people a most desirable class of labor.

The need of additional labor on the hemp plantations has been felt, and the provincial government is now in the midst of arrangements looking to the transfer of some 250 families from the other portions of the islands to Davao.

The remoteness of the east coast and its difficulty of access during the northeast monsoon, due principally to want of good harbors, render communication with this section difficult for a portion of the year, and has interfered somewhat in its development. There is much excellent hemp land between the mountains and the coast, also a good country for the cultivation of cocoanuts and cacao. The population along the coast is largely Visayan. Back in the mountains it is made up of various hill tribes. The people as a whole are peaceful, and can with a little patience and tact be developed into good laborers. Despite the handicap due to lack of harbors there has been a very considerable increase in the amount of land under cultivation, and in the outputs, especially hemp.

In the district of Sulu affairs have improved steadily, despite occasional serious difficulties with the natives. The natives of this district are the most turbulent of all the Moros. They are the remnant of a once-powerful people, who at one time dominated the narrow seas in this part of the world and, as pirates, were so formidable as to bring about on the part of European powers a united protest to the Spanish Government, and the demand that they effectually occupy these coasts and bring piracy to an end. Spain had accomplished this, but had not subdued the islanders on land, and the occupation of the Sulu Islands was practically limited to the towns of Jolo, Siasi, and Bongao, and a few fortified points on neighboring islands. When we bought the Philippines, including the Sulu Islands, the Government was informed that 100,000 regular troops would be required to control the Moros. The Moros referred to were principally the Moros of the Sulu Islands. The result was the Bates treaty, which largely removed the Moros from the direct control of our Government. Under this treaty a condition of anarchy grew up, which is difficult for one to appreciate who has not been on the ground and gone over the records and read the account of things which occurred. In the fall of 1903 conditions were such that active operations had to be commenced against these Moros, and out of the conditions existing grew the abrogation of the Bates treaty. One after another of the successive bands organized to resist the Government and expel, if possible, the white man from the island of Jolo, have been overcome. The last serious action which has taken place in the island was that on Mount Dajo. The natives killed there were, to all intents and purposes, outlaws. They belonged to the following of the Sultan, Dattos Jokanein and Kalbi, Maharajah Indinan, and a number of others of the more or less prominent chiefs. They had thrown off their allegiance to these old leaders and had banded together to prey in common upon the inhabitants of the island, and to resist the authority of the Government. In a recent interview with the Sultan and the principal dattos of Jolo, the unanimous opinion expressed by them was that the destruction of this outfit was necessary, and that the result would be peace and good order. The work of the troops in this instance was approved by the chiefs and the people, and recognized by them as most necessary, not only for peace and order, but for their own safety.

Maj. H. L. Scott, Fourteenth Cavalry, has continued as governor of the district, and has rendered most valuable service; he has had a very turbulent and headstrong people to deal with, and has handled them with great tact, ability, and skill. He is entitled to the highest credit for his work, and the results he has obtained will be enduring. Slavery and slave trading have been

effectually terminated. The people of Jolo, as a whole, are devoted to Major Scott, and trust him implicitly. It is a great misfortune that this officer can not remain for years at Jolo and continue the work which he has so successfully conducted thus far. It is believed that armed resistance in the sense in which it has existed during the past three years is at an end, and that the present excellent conditions of good order will continue. Agriculture has made great strides, and there is probably several times more land under cultivation to-day than at any time during our occupation.

NOTE.—There has been a certain amount of unjust criticism and a number of absolutely false statements relative to the conduct of affairs by Maj. H. L. Scott in the matter of outlaws on Mount Dajo, charging him with having permitted these people to assemble and fortify the mountain, that he should have acted more promptly, etc.

These criticisms are unjust and the statements are absolutely untrue. Major Scott, in his dual capacity as governor of Sulu and commanding officer of Jolo, was strictly carrying out the orders of the provincial governor and department commander, which were to the effect that under no circumstances was he to initiate operations against the people on Mount Dajo until every effort had been made to induce them to come off the mountain and disperse without a fight, and then only when ordered by superior authority. It was known to him, as it was to the department commander, that an action meant the practical extermination of these outlaws, as these people, once an action is commenced, rarely, if ever, surrender. After months spent in efforts to secure a peaceful termination, active operations were undertaken. Major Scott did exactly what he was instructed to do, and was unrelenting in his efforts to avoid the use of force.

The following is an extract from a letter written by Maj. H. L. Scott, Fourteenth cavalry, governor of Sulu, to Major-General Wood, June 22, 1906, and shows conditions now existing in that section of Jolo where resistance was most determined:

"I have just come back from Looc and Tando, where I left Calbi and Bandahalla returning each other's cattle and stolen stock. The whole of Hassan's country, almost, and Opau's is under cultivation. It is amazing to see the fruits of our three years of work ripening so fast. Never were the people so pliable and plastic. It is so also in Parang, and arrangements are now perfected which will, I believe, put a final end to robbery, etc. They are anxious for schools, roads, etc.; are willing to pay their cedula, or do anything else wanted of them. If this will only last. They say they have five times the amount of hemp now that they have ever had. I have 15,000 pesos for a road through Indinan's country, and have promised him a cart, when the road is through, to drive in it, which will stimulate everybody to get one like it. I have never seen so much reason for encouragement as now, as the friendly feeling extends everywhere and results are fast coming. Our exchange has opened strong, and is making friends every day; it is a great educator."

All of the prominent men seem to be thoroughly sick of fighting, and while in the past they have undoubtedly been behind most of the opposition to the Government I believe that they now recognize the folly of their proceeding, and are really anxious to help bring about a stable condition of affairs.

Capt. James H. Reeves, district secretary and acting governor since January 1, has conducted affairs during the critical period immediately preceding and following the Mount Dajo affair with excellent judgment and ability, and shown entire capacity to control and direct the affairs of this district.

SCHOOL SYSTEM.

Work in this department has progressed steadily during the year. The most notable gain has been among the Moros, who are less suspicious of the public school system than formerly and are sending their children in considerable numbers. The more important men are especially anxious that their sons should understand English. There has also been a steady increase in the number of Filipino children attending the schools.

Church schools and public schools both present an increased attendance over last year, the public schools having the larger percentage of increase. Both types of schools have been conducted in the same towns without friction in almost all instances.

A considerable number of Moro text-books, printed in the Arabic character have been furnished the schools for the use of Moro children, in order that they may learn to read and write their own tongue.

A manual training school has been established at Zamboanga, and is well patronized. It is believed that this type of school should be encouraged to the greatest possible extent. Too many boys are attending school with the idea earning their living by some other means than manual labor. Few of them have any idea of becoming skilled artisans or agriculturists. The country is exceedingly rich, but undeveloped. Opportunities in agriculture and some of the mechanical arts are very great, whereas in the professions and the clerical branches they are exceedingly limited. Every effort should be made to impress upon the Filipino youth that his greatest opportunity lies in the development of the resources of his country; the policy of public education should be to prepare him to the greatest possible extent for this work.

The American teachers employed by the province have, with a few exceptions, been satisfactory. The native teachers have improved greatly in efficiency.

A considerable amount of repair and construction of school buildings has been done.

It is still very difficult to secure teachers for the Moro schools who are familiar with English and Moro. Material for this class of teachers is abundant in the Straits Settlements, but under the present civil-service conditions is not available.

The legislative council has under consideration a law to enforce school attendance to the limit of the school buildings, requiring that all children between certain ages attend school unless excused on a certificate from the proper authority that the school buildings are fully occupied.

The provincial superintendent of schools, Dr. Najeeb M. Saleeby, has made every effort to extend the school system, and put it upon an efficient and satisfactory basis. In this work he has been most ably seconded by Mr. C. R. Cameron, whose conscientious and painstaking work has been most commendable. In addition to his duties as superintendent of schools, Doctor Saleeby performed very valuable and dangerous service for the military authorities, in that he voluntarily visited Datto Ali's camp while he was in the field and hostile, and spent several weeks with him in attempting to induce him to surrender.

PUBLIC WORKS.

The department of public works has been under the direct charge of the provincial engineer, Capt. F. R. McCoy, aid-de-camp, and later of Capt. James P. Jervay, Corps of Engineers; both of these officers have done excellent work, in which they have had the assistance of Mr. C. F. Vance, the assistant provincial engineer.

The district governors have given much attention to the care and supervision of public works in their districts.

A very considerable amount of public work has been accomplished. The new provincial building at Zamboanga is rapidly nearing completion. This building will be one of the few permanent buildings constructed in the islands by any department of the government since the American occupation.

Road building about Zamboanga has been continuous, and much has been accomplished. A road and wharf have been built at Jolo. A considerable amount of road work has been done in Davao. There has also been a very large amount of work done on the road between Camp Overton and Lake Lanao, and the reconstruction of the road from Camp Overton to Iligan has been commenced.

A number of school buildings have been rebuilt, bridges repaired, and constructed public buildings kept in good repair.

The total amount expended for public works to date has been a large proportion of the total receipts of the province.

The funds allotted for the construction of the Overton-Kelthley road will be exhausted at the end of the present fiscal year; at least \$150,000 additional will be required to complete the road.

The conditions existing are such that only first-class work should be done, whether it is in the building of roads or buildings. Temporarily makeshift roads represent money thrown away, as do buildings of temporary construction. The lessons taught by our predecessors should be taken to heart, and everything which goes up in the way of a public building should be, to the greatest

extent possible, of permanent construction, as should all public roads and bridges. Roads should be of the most substantial Telford macadam type, well drained and with numerous and large culverts wherever necessary. The Caminero system is by all means the most effective and cheapest method of keeping up roads; this system is of general use in most countries where roads are kept in first-class condition. Under this system each man is responsible for a small section of road, daily repairs are made, and the destructive effects of storms and wear are reduced to a minimum. The system has been established in and about Zamboanga, and is working very satisfactorily. It will be established on the Lake Lanao road when this road is complete.

There has been much very unsatisfactory work in the construction of wharves and piers, due to the failure of the constructing officers to secure proper timber. This is especially true in the early wharves built by our officers. The life of these structures has been in most instances only two or three years, and entire reconstruction has been the rule. This result was, perhaps, largely unavoidable, in view of our entire ignorance of local conditions and local timber. Masonry and steel should be used in the construction of piers to the greatest possible extent. The teredo is so destructive that only a few wharves have any protracted periods of existence.

Rubberoid, asbestos, paroid, and all preparations of this sort are, it is believed, practically worthless for roofing. This opinion is based on considerable experience in this province.

TREASURY.

The revenues of the province from July 1, 1905, to April 16, 1906, inclusive, have been greatly in excess of those for the same period last year. The exact amount can not be stated until the end of the fiscal year, but it is probably about ₱600,000.

Mr. F. A. Thompson and his assistants, especially Mr. C. B. McGhee, have been most painstaking and conscientious in the conduct of their department throughout the province. The work of this department of the provincial government has been, as a rule, most satisfactorily conducted.

A considerable number of cédulas have been collected from the Moros—in all about 40,000. The cédula tax was practically the first general tax which the Moros have been called upon to pay, and they opposed it with considerable vigor; not because they had any special objection to it of itself, but because it implied a recognition of superior authority. Resistance to it was no more pronounced than it has been to other governmental measures, and was founded, not upon any principle, but was simply one of a number of measures which these people, hitherto entirely free from restraint, objected to complying with, feeling that it was a token of submission to the government.

During the fiscal years 1903-4 and 1904-5 appropriations were made bi-monthly; at this time both revenues and necessary expenditures were unknown quantities, and appropriations for urgent needs were made as money came in. During the fiscal year 1905-6 appropriations have been made for periods of six months, as the approximate amount of revenue was known, and the cost of the principal departments of the government could be closely estimated. It is believed that for the coming year it will be possible to make a budget for the entire year, based upon the experiences of the preceding two years. The governmental departments have been provided with equipment to meet the needs of the present situation, and as a result there will be more money available for public works and improvements than in the preceding years. The revenues are constantly increasing, the province is entirely solvent, and the financial outlook is extremely good.

CUSTOMS RECEIPTS.

During the past year the customs receipts of the province have greatly increased, especially at Zamboanga, where, if the increase for the last nine months is continued, there will be an increase for the year of more than 80 per cent on last year's receipts.

There has also been a very considerable increase in the customs receipts at Jolo. Mr. R. M. Corwine, former collector of customs at Jolo, and Mr. George Bennett, collector of customs at Zamboanga, have been especially efficient in building up the trade of those ports.

The great increase of customs receipts at Zamboanga has been due very largely to the establishment of a direct line of steamers between Zamboanga and Chinese ports.

It is the plan of the provincial government to build a first-class pier at Zamboanga, with sufficient water for the largest ocean-going ships, with facilities for handling freight rapidly and cheaply. It is also proposed to construct a fire-proof bonded warehouse and a new custom-house.

Efforts are being made to induce local firms to establish hemp presses for the purpose of handling the local hemp crop.

DEPARTMENT OF JUSTICE.

Provincial attorney's office.—This department has continued under the able and efficient direction of Mr. John E. Springer, to whom the provincial government is indebted for prompt and efficient performance of the duties pertaining to his office. In the discharge of his duties Mr. Springer has been very ably assisted by Mr. Wm. M. Connor, jr.

Courts.—It is believed that steps should be taken to provide moderate fees for witnesses and absolutely necessary traveling expenses, and that such provision will tend much to facilitate the administration of justice.

Judge J. S. Powell, of the fourteenth judicial district, prompt, of excellent judgment, and fully alive to the situation, has aided in every way in carrying out the policy of the provincial government, and has been of the greatest assistance.

Throughout the Moro Province native justices of the peace have been found, almost without exception, incompetent and unsatisfactory, not always through lack of effort on their part to do what is right, but partly through lack of knowledge and more through lack of strength of character. The result has been that a number of army officers have been appointed justices of the peace, especially in the Moro and other non-Christian districts. It is believed that the recent act of the Commission governing the appointment of justices of the peace will tend to improve conditions, and although the shortage of material will not be overcome by it, more care will be exercised in securing the best available men.

District courts.—These courts were organized and established for the trial of cases arising among Moros and other non-Christians, and have rendered excellent service. Tribal ward courts as yet have had a very limited application, as the government has felt that it ought to go very slowly in investing headmen with judicial powers. This can not properly be done in any instance before the qualifications of the headman for this office are clearly evident.

Native headmen.—The system of appointing native headmen with their deputies has been continued with good results throughout the province. The great majority of the headmen appointed have rendered service to the best of their ability, and as a body they have been faithful, law-abiding, and have attempted by all means in their power to carry out the requirements of the provincial government. Each year will see marked improvements in this branch of the public service. The great number of tribes has made it difficult to institute a uniform procedure throughout the provincial territory as a whole, but the policy of the provincial government has been to gradually bring all under a common system. Headmen have probably had more trouble in Jolo than elsewhere, on account of the large number of lawless characters who have been for years engaged in practices closely bordering upon piracy, and who have only recognized authority when it has been convenient for them to do so. Throughout the Sulu Archipelago whenever the authority of the headman has been resisted careful investigation has been made, and if he has been found to be in the right, sufficient assistance has been given to enforce his authority.

PROVINCIAL SECRETARY'S OFFICE.

The duties of the secretary of the province have been very efficiently and satisfactorily performed by Capt. G. T. Langhorne, aid-de-camp, who has also at various times acted as governor of the province during the absence of the governor. Captain Langhorne has devoted much time and care to the interests of the province, and has by all means in his power furthered its best interests. His deep interest in the work, thoroughness in handling matters, and faith in the outcome have been ever present factors in his favor and have done much to help over rough places.

CONSTABULARY.

The constabulary forces stationed in the province have been generally efficient and satisfactory. The wise policy adopted by Col. James G. Harbord has been followed by his successor, Col. W. S. Scott.

During the past year the constabulary have been in one serious action alongside of regular troops. They distinguished themselves for courage and efficiency, and gained the confidence and respect of the troops with whom they served. The action referred to was the action on Mount Dajo. The force was largely Moro constabulary and some Filipinos, under the immediate command of Capt. John R. White and Lieutenant Sowers, Philippine Constabulary. Similar work was done in the previous year in the operations against Pala, when the constabulary were under the command of Captain Williams. The relations existing between the government of the Moro Province and the constabulary have been cordial and harmonious during the year. It is no injustice to the men to say that the efficiency of the force in this province is largely due to the officers who have organized and commanded it.

Withdrawal or radical curtailment of the authority of the constabulary to arrest without a warrant, except when the writ of habeas corpus is suspended, and in those cases where offenders are caught in the act, or as the result of immediate pursuit following such act would, it is thought, remove considerable of the present opposition to this force which exists among the more intelligent Christian population.

During the past year, in most cases where troops have been used to arrest outlaws whose resistance was too strong for the local police or constabulary forces, the civil authorities have been called upon, prior to any use of troops, to issue a warrant for the arrest of the parties wanted. Warrants so issued have been turned over to the officer commanding the detachment or body of troops charged with making the arrest.

TRANSPORTATION FACILITIES.

The plan adopted during the preceding year of subsidizing the steamer *Borneo* under an agreement to make certain prescribed visits each month at the ports on the east and west coasts of Mindanao and the ports of the Sulu Archipelago, for the purpose of transporting passengers and freight, both public and private, has proven most successful, and has accomplished much to build up coastwise trade and furnish facilities to producers to market their products. Under the terms of the subsidy contract a maximum rate is fixed for passengers and freight, which can not be exceeded. The rates are reasonable and are far below those of such commercial ships as visit these ports. It is quite probable that within the year the conditions of trade will necessitate the subsidizing of a second ship. The expenditures of the province for this subsidy have been made good several times over by the increased trade. The ship makes regular trips, and the people of the remote coast towns have an established and regular communication with the outside world and can estimate exactly the cost of marketing their products. Merchants at Zamboanga and Jolo have also found this ship a great convenience in shipping out supplies to coastwise towns.

A guaranty has also been made to an English line running between Hongkong, Manila, and Australian ports. This insures one stop each way per month and the direct importation of goods from Hongkong and Australian ports to Zamboanga. The receipts derived from this arrangement have far exceeded the cost of the guaranty, which, after deducting port and anchorage dues, has amounted to a comparatively small sum.

The North German Lloyd has put on an additional steamer between Chinese ports and Zamboanga. These services, together with the former service, give three large foreign and several inter-island lines touching at this point. These increased facilities, together with the results of the efforts to build up the provincial trade, have resulted in the customs receipts at Zamboanga being nearly doubled during the past year, and those at Jolo considerably increased.

One of the most discouraging features which has confronted the trader and planter in this island has been the excessive rates charged by the coastwise lines, and the uncertainty and irregularity of service.

It is probable that coastwise transportation facilities will be steadily improved, and that if the civil and military authorities are able to arrange for the transportation of their supplies by commercial lines, under a fixed rate, greatly improved inter-island service will result.

There is a good opportunity for a small trading steamer in Davao Bay, for the purpose of handling the supplies and outputs of the Davao planters. It is believed that a small stern-wheel steamer of 30 or 40 tons burden and a draught of not to exceed 2 feet, would find very profitable employment on the Rio Grande River, running between Cotabato and upriver points.

The restrictions which hitherto crippled coastwise and inter-island transportation by small boats have been largely removed within the Moro Province by an act of the legislative council, and elsewhere in the islands by a similar act of the Philippine Commission. These acts have not only facilitated transportation, but have done much to do away with smuggling, as they have done away with the numerous petty annoyances and heavy charges which hitherto have either crushed this class of trading vessels or driven them to smuggling.

AGRICULTURE.

Agricultural conditions among the Moros and hill tribes have improved very much during the past year. Too much stress can not be laid upon the employment of every possible means to encourage agriculture among these people. A measure was proposed during the past year to the end that taxation on land should be remitted, provided a certain amount of the land was put under cultivation, or certain plants or trees planted, either fruit-bearing, or other types of valuable trees, such as rubber, etc. It was felt at the time that the equipment of the treasury office was not adequate to meet the demands which would be created by this situation, and action was deferred pending further investigation.

San Ramon farm.—This farm was turned over to the provincial government late in 1905.

The policy of the province is—

First, to grow a sufficient amount of hemp and cocoanuts, to pay the running expenses of the establishment.

Second, to grow a large amount of hemp, cocoanut, cacao, and rubber plants, etc., for sale to settlers, at the lowest practicable figure—just enough to make the purchaser take care of them.

Third, to establish experimental stations at various elevations on the mountains of the farm reservation for the purpose of ascertaining the best elevation for the various types of rubber, cacao, etc.

It is believed that by conducting the farm on these lines it will be of very material assistance in the development of the province. There are several thousand acres of excellent land, and an unlimited amount of mountain, running up directly from sea level to an elevation of from four to five thousand feet. The farm has suffered considerably from the dry weather of last year, but the setback is only temporary.

In former times the farm produced a considerable amount of sugar, and enough cane will probably be raised in the future for instruction in sugar raising. If the revenue permits, it will be the policy of the province to make this farm available for the instruction of boys in agriculture.

The farm at present is not producing over 40 per cent of the cocoanuts it should produce under proper irrigation, which is much needed. There is abundant and constant water at the mouth of the canyon, a few miles above the farm, and steps should be taken to bring this in and distribute it so that during the dry season there will be enough to insure abundant crops.

The hemp also suffered severely during the past year from lack of water.

All this will be overcome by a system of irrigation, and the output of the farm, even with the present acreage under cultivation, will be more than doubled.

IMMIGRATION.

As stated elsewhere in this report, the development and improvement of the condition of these people must be largely through agriculture, coupled with a school system which will give them sufficient education to enable them to conduct their own affairs.

Education of the rural population in agricultural methods can only be given by example. For this reason, as well as others, the immigration of a certain number of good men, skilled in agriculture, is most essential. This class of men, it is believed, should be encouraged in every way to come to the islands, as they, through the example furnished by successful agricultural methods, will

be the means of rapidly advancing the native people toward improved agricultural methods and success. A thousand good farmers scattered through this province would be of inestimable value to its people, and mean a great deal to its future. The few government farms scattered about the islands furnish practically no opportunity for instruction to people who travel as little as do these people. The average native knows the country only for a few miles about his home. Their methods are primitive, and their knowledge of the best methods and the possibilities of their country under such methods is practically nil, or at best extremely limited. It is believed that not only should immigration of the right type from our own country be encouraged, but also the immigration of desirable immigrants, familiar with agricultural methods, from the south of Europe. These people are accustomed to a warm climate, and it is believed that they would flourish and do well in these islands. What is needed is not alone teachers in the schools, but in the fields.

PUBLIC HEALTH.

The lack of a provincial hospital is keenly felt. Thus far the military hospitals, with considerable inconvenience to themselves, have taken care of a large number of civilian sick and wounded, accidents, etc. It is hoped that funds will be available in the immediate future to commence the construction of a provincial hospital at Zamboanga.

Vaccinators have been at work during the greater portion of the present year, and a very large number of people have been vaccinated. There have been no serious epidemics of diseases. The diseases found farther north, such as amoebic dysentery and cholera, are seldom met with in this province. A few cases of smallpox have appeared from time to time among the hill tribes, but have not developed into an epidemic. The public health as a rule has been very good. The effects of this climate upon white men does not appear to be injurious. Both civilians and soldiers who take a fair amount of exercise and live a considerable portion of their time in the open air are healthy. The troops, especially, present a rugged and healthy appearance, although the large amount of field service has produced here, as elsewhere, a certain increase in the sick report. There is no reason to believe that this country can not be inhabited by white people without injurious results to their health. It will probably be necessary, as everywhere else in hot countries, for white people to obtain a change of climate for a few months at an interval of four to six years, especially after middle life. Benguet, Luzon, and the neighboring country presents all the climatic advantages of the Temperate Zone, as do some of the high mountain areas in Mindanao. The Mindanao highlands are as yet unopened, except about Lake Lanao, but Benguet is easily reached, and the pine forests and fine bracing air are all that can be desired. The Lanao country is hardly high enough to secure an entire change.

Health of animals.—Since the people have come to understand the object of the isolation and destruction of animals for surra and glanders, and the methods proposed by the government for their preservation, there has been little or no opposition to the execution of the laws looking to the quarantining and destruction of animals suffering from surra and other infectious diseases.

CONDITIONS OF PUBLIC ORDER.

The general relations with the native people, taken as a whole, are very good indeed; sudden and unexpected misunderstandings are apt to arise at any time on account of the ignorance and superstition of the natives. Wild rumors circulate among them and even lead them to acts of hostility. Religious fanatics stir them up to resist the government, but as time goes on and they become better acquainted with the local authorities these affairs diminish in frequency. Personal acquaintance counts tremendously with these people, and this is one of the many reasons why long tenure of office by civil officials is so desirable.

Fortunately the Moros of the different sections have few relations with each other and little in common except language (to a certain extent) and religion. The Moros of the main groups are very much like many of our Indian tribes. One tribe or faction is quite willing to take up arms against another or to help the government in expeditions against its enemies. For this reason there need be no apprehension of a general Moro uprising or of concerted action among them.

In the Lake Lanao region the Moros are split up into very small factions, and it is seldom that more than two or three of these factions unite in opposition to authority. The only really powerful combination made for the purpose of resisting the government which has ever been formed about the lake was the combination formed by the people of the Taraca Valley and vicinity, representing over one-half of the population of the lake region, in the fall of 1903 and the spring of 1904; since their defeat no trouble of consequence has arisen about the lake.

The people of the upper Cotabato Valley to the number of some 20,000 recognized Datto Ali's authority. Since the repeated defeats which they suffered under his leadership, which were followed by his death, all resistance in this section has disappeared, and the people are now quietly at work. It is not thought that any leader of Ali's power or ability will spring up among these people who could unite them as he did.

In Jolo, with its population of 50,000 or 60,000 Moros, bitterly hostile factions are found. It is highly improbable that more than a third of the island could be united in active opposition to the government, and such action on their part is very unlikely, in view of the severe defeats during the past three years.

Outside of these three important sections there is no possibility of serious resistance. These Moro people, with all their faults, are brave and industrious, and have in them material out of which to make a good people. Now that the question of our superiority in arms has been settled, and they have learned that the government has no desire to interfere with their marriage laws or religious beliefs, friendly relations are becoming general, although the deep-rooted racial prejudice of the oriental for the European, accentuated in this instance by strong religious prejudice and radically different methods of government and control, can only be expected to disappear gradually. Long after our relations are nominally friendly and the country peaceful this prejudice will live on, although it is not believed to such an extent as to interfere with the occupancy of the same area by the two races.

General conduct of the Filipino population.—The general conduct of the Filipino population of the province has been excellent throughout the year. There have been practically no cases of ladronism. These people, as stated before, are devoted to agriculture, and are quiet and orderly, and while they have a normal and healthy interest in the political situation, their principal energies are devoted to the betterment of their material condition. They have been entirely unconnected with the Aglipay movement and are still devoted to their clergy, who are, for the most part, Jesuits, an order whose record in this province has been such as to insure for it the respect of the Christian inhabitants. As stated elsewhere, there has been no evidence of the Aglipay movement in this province, although this movement has been pronounced in the provinces of Surigao and Misamis, and in that small portion of Misamis west of Illigan Bay, a condition of affairs which is rather significant.

Relations between Filipinos and Moros.—A sharp line of demarcation exists between these people incident to their difference in religious faith. The old antagonism still exists to a large extent, but on the surface the relations have been peaceful and to a certain extent friendly.

If our control should be withdrawn from the island of Mindanao, in a very short time the Moros would impress their religion upon the people of the island and reduce most of them to a condition of practical slavery. At the time of the Spanish conquest of the islands the Moros had established their stations as far north as Manila, were even raiding far north of that city, and in a few generations more bade fair to have dominated the greater portion of the archipelago.

LUMBER TRADE.

There is a constant demand for high-grade timber of all kinds, especially molave piling. There is a great amount of this timber in Mindanao, about the Gulf of Davao, around Dumanquilas Bay, and on the Zamboanga Peninsula along the eastern coast. The demands of the Moro Province alone would keep an establishment busy. The lumber industry in Basilan is in good condition and rapidly increasing. A considerable lumber industry has also been developed along the northern portion of the east coast of the Zamboanga Peninsula.

SETTLEMENTS AND SMALL ISLANDS.

Small scattering settlements have sprung up about the Gulf of Davao at various points, principally about new plantations.

A considerable settlement has been established on the military reservation at Malabang, and a municipality has been organized. The military authorities have been requested to give up that portion of the reservation on which the town has been built; this has been approved and will, no doubt, be done.

A growing settlement exists near the military reservation of Parang, which has been duly organized.

At Camp Keithley, Mindanao, a very considerable settlement has sprung up on the lake front. The population is made up of Chinese traders, laborers, etc. Directions have been issued to the district governor to survey a town site fronting on the lake, just outside of the reservation limits, and to take the necessary steps to have it set aside and laid out. Improved conditions on the lake render this advisable and desirable. It is probable, as stated elsewhere, that in the near future the territory in the lake basin can be opened to the operation of the land act, and conditions of climate and soil are such that it is believed it will furnish an attractive area for settlement.

At Iligan the town has been greatly renovated and improved during the past year and considerable building done. The former district governor, Captain Devore, and especially the present governor, Captain Griffith, are largely responsible for the improved conditions in this town.

Since the death of Datto Mustapha, the suppression of the slave trade and the doing away with conditions of general oppression of the hill people by Moros, a very considerable settlement of Subanos has been made on Dumanquilas Bay, opposite the military station of Margosatubig. The headman expects to assemble here within a year or two from two to three thousand hill people. Settlements of the hill people on the seacoast are much to be desired, as they are the means of opening up trade with the interior.

Sitanki.—A small but flourishing trading station has been built up at Sitanki, situated on a small island near Sibutu on the Borneo side of the Sibutu Channel. The traders here are a number of Chinese; the principal products handled are dried fish, pearl shells and various articles of sea food, which are prepared and shipped either direct or via Jolo and Zamboanga to Borneo and Chinese ports. A very large number of Moros are commercially tributary to this port; during a recent visit some 1,500 to 2,000 were found there, mostly Samales. An agent of the customs service has recently been established at this point, as it is quite evident that the great bulk of the articles sold by the Chinese or exchanged for fish, shell, etc., have been smuggled. Arrangements have been made for the steamship *Borneo* to stop at this point. The situation is particularly favorable, as it is comparatively near Borneo and only about 25 miles from Bongao. The one great difficulty is in communicating with the Sulu Islands, due to the strong current in the Sibutu Channel, and the even stronger one running between Sibutu and Bongao; the currents are so strong that they can only be crossed under favorable conditions of wind and tide.

Tawi Tawi and neighboring islands.—Conditions in these islands have been favorable. Minor difficulties have arisen between native chiefs, most of which have been settled without loss of life, or serious difficulty. The extensive forest fires in Tawi Tawi have destroyed a considerable amount of valuable timber.

Boat building at Bilambing and other points in Tawi Tawi is one of the principal industries of the people of the island.

There is considerable rubber vine and other jungle products in Tawi Tawi; also much excellent timber of the superior group on this and neighboring small islands.

Few Moros are found on Tawi Tawi proper.

Agayan de Sulu.—A customs station has been established here. There have been no serious difficulties in this island since the unfortunate affair of last year. The people of the island are industrious and own a large number of cattle. They have many cocoanut trees and, on the whole, are doing very well. This is a very beautiful and fertile island, and one which can be made even more productive than at present. The climate is healthful and delightful.

Sarangani Islands.—The people of these islands are largely Bilanes from the main island of Mindanao. They are a friendly, hard-working lot of people, living under conditions similar to those found among their people on the main island. Their main products are small amounts of jungle products and fish.

These islands carry a large amount of valuable timber, and the larger one, known as Balut Island, is very fertile. A considerable amount of water was found in the streams even at the end of the dry season. In Sarangani Island there is an excellent harbor, well sheltered, and with ample water for any vessels engaged in the interisland trade.

Palmas Island.—A small, fertile, and very highly cultivated island containing 458 inhabitants speaking a dialect somewhat resembling the dialect of the Manobos, but presenting many of the characteristics of the oceanic people. These people have little communication with the main island of Mindanao, making only a few voyages per year. Such little trade as they have is with the inhabitants of the gulfs of Matl and Davao and Sarangani Islands. The island lies about 60 miles due east of the Sarangani Islands and is well within the Philippine limits. The Dutch flag was found flying and a headman, who stated that his appointment was from the Dutch East Indian government, was in charge of the people. It appears that the Dutch ships have been making yearly visits to this island for the past fifteen years. Apparently there has been a gradual assumption of authority over the people. The matter has been reported to the insular government and the State Department for the necessary action. The people are exceedingly friendly and everything about their habitations indicates industry and thrift.

SLAVERY.

Slave catching and trading have been effectively stopped throughout the province. There may be occasional cases at remote places in the interior which are seldom visited, but it is believed that they are very few. The people have been informed everywhere that slavery is against the law, and that those practicing it will be punished severely. No effort has been made to forcibly remove people who have been slaves from association with their old masters, but they have been made to understand their rights. A great many have taken advantage of the new conditions and have established themselves independently. The end of the datto system, with all its attendant evils, is being rapidly accomplished, and it is believed that in a few years the great bulk of the Moro Province will be living as independent freemen recognizing no head except such as is duly appointed by the government, a condition which is the only practicable one under our system of government and control. The district governors are making every effort to settle individual Moros upon individual holdings and to encourage them to build fences, mark off land, and establish themselves as freemen. There is a strong tendency among the natives to follow the advice given them.

Many Christian Filipinos have been rescued from Moro slavery during the past few years.

OPIUM TRAFFIC.

During the past three years, in fact during the entire period of our occupancy of the islands, there has been a steady increase in the amount of opium used in this province, especially by the Moros. This has been largely due to the fact that we have had practically no legislation aiming to control its importation and sale. Consequently the extension of the evil has been very considerable. The recent opium legislation will, it is believed, have a good effect, though the wisdom of any attempt at absolute prohibition in the near future among users of the drug may be seriously questioned. It is believed that the attempt to absolutely suppress the traffic in and use of the drug at the end of a prescribed period will meet with failure. The result will be to drive the chronic smoker who can not be broken of his habit, into concealment where he will not only smoke or otherwise use the drug, but where others will join him. It is believed that the better method would have been to provide for licensing confirmed smokers who can not be broken of their habit, and entirely prohibiting the use of opium under severe penalties (except upon a physician's prescription) to all others, and provide especially severe penalties for those who in any way indulge in, aid, or abet the smoking, chewing, or injection, or other use of the drug by those not legally recognized as confirmed in the habit. There are many Chinese and Moros in this province who will not give up the use of opium, and it seems unwise to drive these confirmed users of the drug into concealment in its use. It is believed that the law should apply to all persons living in the Philippine Islands, and not to Chinese alone.

After three years' residence in the Philippine Islands, and a careful consideration of existing conditions, I believe that the islands are capable of being successfully developed, and that they will become great sources of wealth and prosperity to their inhabitants, forming, as they do, a magnificent base for commercial relations with the East, and furnishing in themselves inexhaustible possibilities in the way of agricultural development, especially of those standard products, such as hemp, rubber, sugar, cacao, together with rice, valuable hardwood timbers in great amount, spices, and other tropical products. I believe the greatest portion of unrest existing among these people to-day, which after all amounts only to petty disorders, is due to the depression in agriculture which results to a very great extent, if not wholly, to the lack of commercial relations with the United States of such a character as to encourage the farmers here to work and to give confidence to others to invest in agricultural enterprises. The people are not vicious or intractable. They are simply undeveloped. Once a policy of fair commercial treatment is inaugurated I believe that such minor disorders as have existed here will disappear. The climate is such that white people can live and work here with success. The mountains of Luzon, especially about Benguet, furnish opportunities where Americans and Europeans can obtain all the climatic conditions found in the temperate zone. There is nothing, either in the people or the climatic condition, which need deter or discourage us in our policy of upbuilding these people and developing these islands. What is needed is the announcement by the home government of a definite policy and the inauguration of an era of fair commercial treatment.

RECOMMENDATIONS.

The recommendations of previous years to the effect that the portions of the province of Misamis lying west of Iligan Bay and surrounded by the land and waters of the Moro Province, and which is now economically and in every other way except politically and administratively, a part of the Moro Province, be incorporated with that province is renewed and urged. I know of no reason, founded on public interest, for the continuance of the present undesirable arrangement.

It is much to be regretted that the settlements of native people lying south of Cagayan and just south of the northern boundary of the province have been transferred for administrative purposes to the province of Misamis. Repeated reports from entirely disinterested and conscientious officers indicate that the condition of these people has been one of commercial peonage to the people of Cagayan, who by a system well known and extensively employed in these islands have placed these simple savages in their debt and seen to it that they have not only not escaped, but have gradually gotten in deeper and deeper. Their position within the limits of the Moro Province had given them certain protection from oppression, which since their transfer has been removed. The transfer was made apparently on the representation that these people, unless belonging to the province of Misamis, would have no place for trade except by passing through the Moro country to Cotabato. The representations made of them to this end were disingenuous and misleading. It is recommended that they be returned to their former status, as conditions in the province of Misamis are not such, nor have they been such for the past three years, as to warrant the belief that these people have been in any way benefited by their transfer to that province. This province lies within the jurisdiction of the writer as Department Commander of the Department of Mindanao, and the conditions existing there (Misamis Province) are generally known to have been such as to render it inadvisable to trust to the administration of that province any others than those already in it.

It is believed that the entire province of Misamis and that of Surigao should be incorporated in the Moro Province. If the name "Moro Province" is objectionable, the proposed province could well be designated as the "Province of Mindanao and Sulu." The present provinces of Misamis and Surigao could, with great advantage to their people, be governed as districts of the Moro Province; they are no larger or more important than the district of Davao or the district of Zamboanga, and can be governed under a similar arrangement. The interior of the island of Mindanao is a mass of savage and non-Christian tribes, into which project three different provincial governments, whose administration is in the hands of a few Americans, and a thin fringe of Filipinos around the seacoast. As one of the main objects of the Government is to get

hold of this mass of savage material in the interior of the island and assimilate and organize it, it would be well to have only one provincial government throughout the island. Great economies would result from this, and it is believed that both Misamis and Surigao, as districts of a single province, could be advantageously administered. It certainly would be much better for the mass of wild people in the center of the island to have only one government to deal with. The present arrangement is expensive, and it is believed unnecessarily complex, and it is not to the real advantage of either the non-Christian or the Filipino.

PERMANENT INSULAR SERVICE.

Until the United States adopts a definite policy as to the personnel of her civil officials in the insular positions and their treatment it will be impossible to obtain the best men. This class of men can not afford to enter the insular service as it is at present organized, for it does not guarantee a career or provide for their maintenance by means of a pension in case of disability or after long years of public service. Good men are now obtained in many instances, but almost invariably they accept a position under the provincial government simply to obtain a foothold, or as a stepping-stone to something else, usually for the purpose of entering into business for themselves. This condition will exist just so long as the United States Government continues the present status of insular officials. We have plenty of able young men in America who are anxious to enter the public service in this part of the world and who are well qualified to do so, but this class of men are ambitious, and they are not content to come out and accept a position in the insular service which offers them nothing in the way of an established career. It is recommended that steps be taken to establish an insular service with retirement at the end of twenty-five years' service on three-quarters of the pay received at the time of retirement and with provision for retirement prior to twenty-five years in case of disability, retirement in these cases to be upon a rate of pay commensurate to the position held, the length of service, and the degree of disability. If this step is taken, we can look to the rapid establishment of a splendid insular service, composed of men who are in it for life and who will be of inestimable value to the Government. As it is now, the rule is that the really first-class men who come out remain with the Government only a short time and then either leave the islands or go into business. Civil offices are constantly undergoing a change of personnel, and if there is any one thing which should be avoided under conditions such as exist in the Philippine Islands it is this constant change of officials. Years are necessary for the men to become familiar with the people they are associated with and gain their confidence. A few men of independent means may be found to fill the higher positions, but we can not look to this class of volunteers as life officials. The permanent insular service proposed should carry with it such a system of promotion as will, provided the qualifications of ability and character exist, insure advancement to higher positions. It is probable that the highest positions will frequently, and perhaps always, be filled by direct appointments from the home country, in order that these officials may be fully in touch with the policy of the home Government, but with the exception of a few positions the insular officials should, it is thought, be independent of political influence and not be subject to removal except for bad conduct or proven incompetency. The examination for entry into this service should be a rigid one. The present condition is thoroughly unsatisfactory and is not for the best interests of the people of these islands.

LAND LAW.

It is recommended that the land act be so amended as to increase the amount of land which may be acquired under the homestead clause from the present allowance of about 40 acres to at least 200 acres, and further amended so that corporations can purchase public land in amount not to exceed 20,000 acres, and individuals in amount not to exceed 5,000 acres. The great industry which is particularly adapted to certain large sections of the Philippine Islands is sugar growing, and to grow sugar cane on a large scale the corporation must control at least 10,000 acres; probably it will require in almost every instance where large modern mills are built 20,000 acres. In order to give certain portions of the land rest, and for the reason that certain sections of every large tract are unsuited for agriculture. Under the present conditions the homestead clause

grants so small an amount of land as to render it unattractive to settlers from the home country, and the large agricultural industries are barred from entry into the islands through difficulty in obtaining land, and this with millions of acres of virgin soil absolutely idle.

The extension of the land act to the Moro Province has met with general satisfaction, and will do much to improve conditions in the province, especially in advancing its agricultural interests, although development on a large scale will be hampered for the reasons given. One of the most difficult problems confronting the legislative council is to find some practicable and ready means by which natives can secure the amount of land authorized under the law. It will be a good many years before this class of claims can be properly surveyed and registered. In the meantime it is most essential that the provincial government, through its district governors, should do everything within its power to secure to the native his present holdings to the extent allowed by the law. At the same time it is most desirable to open up as much land as practicable to settlement and development by desirable settlers, for it is largely through these settlers and their example that the country will be developed. Nothing will move the native forward so much as the example of successful settlers. Without them he will move with exceeding slowness, if at all. People forget, in discussing the development of the Philippines, that the great bulk of the people here are quite satisfied with what they have; that their wants are few and simple because they know little of the needs which go to make up the sum total of a cultured and highly civilized people. If we are to increase their capacity we must stimulate their ambition for better surroundings, and nothing will stimulate them so thoroughly as the force of example. At present, there is frequently some disturbance caused by settlers taking up land in districts more or less inhabited by natives. It is most desirable to keep the native near the white settler, if possible, and give him an opportunity to see what can be done by improved methods. The result, unfortunately, is often the reverse. The white settler comes in, goes to work, and is often rather unscrupulous about occupying land already more or less occupied by the natives. The result is that the native packs up his few household effects and leaves for some other section of the country. It is believed that in the Moro Province, at least, land should neither be homesteaded, leased, nor sold to individuals or corporations in those districts occupied by Moros or other non-Christian tribes, except on a certificate by the district governor that the land is actually unoccupied, or that being occupied, a satisfactory arrangement has been entered into between the native occupant and the would-be settler, purchaser, or lessee. A simple arrangement of this description will prevent the crowding out of natives and will do much to give them a feeling of security, thereby tending to establish friendly relations with their white neighbors. Above all, it will help them to hold on to their present holdings to the extent authorized by the land law until they can be regularly surveyed.

CITIZENSHIP.

There should be legislation by Congress which will enable would-be citizens of the Philippine Islands to become such for all purposes of owning property, transacting business, and exercising political rights here. The present situation is one which is most annoying to many men who would be most desirable acquisitions. These men are mostly Europeans who are anxious to become citizens of the United States, or at least of the Philippine Islands. They find themselves blocked by our naturalization laws, and are practically prevented from coming under our flag, as they can not afford to leave the Philippines and go to America for the required period. Legislation which will enable them to acquire all rights of citizenship sufficient for business and political purposes in the Philippine Islands should be provided.

ABOLITION OF PORT AND TONNAGE DUES.

It is recommended that all port and tonnage dues on vessels, both foreign and domestic, be abolished in all ports of the Philippine Islands. It is believed that the immediate losses which would result from the adoption of this measure would be far more than compensated for by its beneficial effect upon the languishing commerce of these islands.

In submitting this final report as governor of the Moro Province, I desire to express to the members of the legislative council of the Moro Province and to

the provincial and district officials my sincere appreciation of their loyal cooperation and support, which have made success possible, and to his excellency the governor-general and the honorable the Philippine Commission my thorough appreciation of the uniform courtesy and consideration shown me.

Very respectfully,

LEONARD WOOD,
Major-General, U. S. Army,
Governor of the Moro Province.

The EXECUTIVE SECRETARY,
Manila, P. I.

OFFICE OF THE GOVERNOR, MORO PROVINCE.

Zamboanga, Mindanao, P. I., August 27, 1906.

SIR: I have the honor to submit the following report covering the time from April 16, 1906, to August 27, 1906.

In some cases reference will be found to events antedating April 16. This is because information was received too late for use in my predecessor's report or because a reference to them seemed proper in discussing recommendations for the future.

FINANCE.

At the request of my predecessor, Maj. Gen. Leonard Wood, I embody a financial statement for the entire fiscal year 1905-6, as the necessary data could not be compiled in time for use in this report. This statement comprises the following tables:

- I. Provincial and customs revenues.^a
- II. Disbursements.^a
- III. Internal revenues collected.^a
- IV. Revenues and withdrawals for provincial purposes.^a
- V. Statement of transactions, insular funds.^a
- VI. Statement of customs receipts, by fiscal years, since organization of province.
- VII. Comparative statement of provincial revenues and disbursements since organization of the province.
- VIII. Municipal revenues collected by district treasurers.
- IX. Statement of receipts and disbursements of municipalities.
- X. Miscellaneous comparative statement.
- XI. Financial condition of province June 30, 1906.^a

Statement showing customs receipts for the fiscal years 1904, 1905, and 1906, and cost of collection.

Fiscal year.	Amount of collections.	Cost of collecting.
		Per cent.
1904	P222,388.77	23.9
1905	263,242.13	20.8
1906	318,394.10	16.7

^aThese tables are on file in the War Department, where they may be consulted.

Comparative statement of receipts and disbursements by the government of the Moro Province, including insular funds received for disbursement, for the fiscal years 1904, 1905, and 1906.

[For statistical purposes Spanish-Philippine currency has been reduced to Philippine currency at rate of 1.30.]

RECEIPTS.

	1904. ^a	1905.	1906.
Balance previous year		P472,981.50	P407,457.77
Insular funds.....	P325,517.00	28,058.47	17,861.08
Total	325,517.00	501,084.97	425,318.85
Refunds collected by insular treasurer prior to organization of Moro Province		80,747.24	
Provincial revenues.....	114,713.66	146,333.67	204,536.12
Customs revenues	222,664.39	262,826.24	318,891.10
Total	337,378.05	489,907.15	522,927.22
Grand total.....	662,895.05	990,942.12	948,246.07

EXPENDITURES.

Insular funds.....	P15,552.85	P103,069.22	P190,978.68
Provincial funds	174,861.70	480,415.13	678,558.04
Total	189,913.55	583,484.35	869,531.72
Balance	472,981.50	407,457.77	78,714.35
Grand total.....	662,895.05	990,942.12	948,246.07

^a Nine months.

Table giving classification of municipal revenues, as taken from the accounts of district treasurers, and shown by districts.

	Zambo- anga.	Sulu.	Lanao.	Davao.	Cotabato.	Total.
Cattle registration	P676.00	P812.00	P2,161.00	P3,977.00	P708.00	P8,384.00
Rents and profits	7,554.66	1,410.58	2,962.58	2,735.91	654.00	15,317.73
Licenses	16,615.70	10,624.20	11,655.29	2,686.60	9,803.00	51,384.79
Fines	1,749.28	1,576.33	12,473.60	3,170.49	4,720.25	23,689.95
Latrine		1,145.11				1,145.11
Internal revenue	872.50	555.00	315.00	880.00	1,125.00	3,747.50
Reimbursement.....	521.70					521.70
Street cleaning		394.78				394.78
Total.....	27,989.84	16,518.00	29,567.47	13,450.00	17,010.25	104,535.56

Statement showing receipts and disbursements and balance remaining on hand of municipalities of the Moro Province, fiscal year 1906.

Municipality.	On hand July 1, 1905.	Receipts during fis- cal year 1906.	Total.	Disbursed fiscal year 1906.	Balance on hand June 30, 1906.	Total.
Zamboanga	P5,299.19	P24,970.19	P30,269.58	P26,237.46	P4,031.92	P30,269.58
Jolo	8,544.01	14,798.81	23,342.82	21,868.67	1,474.15	23,342.82
Isasi	8.29	1,740.19	1,748.48	1,595.31	153.17	1,748.48
Davao.....	260.90	8,223.08	8,483.98	7,408.21	1,075.77	8,483.98
Caraga	190.92	1,054.21	1,245.13	803.64	441.49	1,245.13
Cateel.....	293.76	721.04	1,014.80	979.15	35.65	1,014.80
Baganga	829.97	1,883.59	2,213.56	1,435.48	778.08	2,213.56
Mati	805.20	2,061.55	2,866.75	1,593.06	1,273.69	2,866.75
Cotabato	18,166.27	12,615.85	30,782.12	28,927.92	1,854.20	30,782.12
Parang.....		8,095.40	8,095.40	6,208.48	1,886.92	8,095.40
Iligan.....	4,498.62	15,605.77	20,104.39	14,986.98	5,117.41	20,104.39
Dapitan.....	896.40	5,061.65	5,958.05	4,376.20	1,581.85	5,958.05
Malabang ^a	200.00	16,305.86	16,505.86	9,035.36	7,470.50	16,505.86
Total	39,493.53	113,137.19	152,630.72	125,455.92	27,174.80	152,630.72

^a Organized August 1, 1905.

Comparative statement showing per cent of increase and decrease in customs revenues, by ports, for the fiscal years 1905 and 1906.

Port of—	1905.	1906.	Increase.	Decrease.
			<i>Per cent.</i>	<i>Per cent.</i>
Zamboanga	₱109,584.01	₱178,776.86	63	.....
Jolo	150,508.91	184,262.89	.....	9.0
Bongao	8,088.71	2,913.57	.....	17.6
Jurata ^a		2,228.96	.....	.....
Sitanki ^b		209.82	.....	.....

^a Port opened December 1, 1905.

^b Port opened May 1, 1906.

Statement showing cost of maintaining the various customs ports of the Moro Province as against collections of those ports, fiscal year 1906.

Port of—	Amount of collections.	Amount expended.	Collections for main-tenance.
			<i>Per cent.</i>
Zamboanga	₱178,776.86	₱16,643.55	9.8
Jolo	184,262.89	28,756.90	17.6
Bongao	2,913.57	9,496.53	325.0
Jurata	2,228.96	2,671.96	119.0
Sitanki	209.82	567.80	271.0

NOTE.—Cost of maintenance port of Jolo and subports (Bongao, Jurata, and Sitanki) is 26 per cent.

Statement showing the number of parcels of land assessed in the Moro Province, by districts, value of land and improvements and the amount of tax on same.

District.	Number of parcels.	Value.	Tax for a calendar year.
Zamboanga.....	6,898	₱2,141,244.00	₱18,738.04
Sulu	835	312,669.00	2,677.48
Davao	2,980	965,918.57	8,331.59
Cotabato.....	529	331,298.00	2,779.69
Lanao	5,207	980,118.45	8,676.20
Total	15,949	4,731,248.02	41,202.95

It will be observed that the revenue derived from the Moro Province during the past fiscal year was ₱522,930.22, a gratifying increase over previous years. As the province must hereafter depend entirely upon its own resources, the growth in productions of all kinds, with its consequent favorable reaction upon the revenues, is a matter of the greatest importance. Nevertheless, the sum collected during the year ended June 30, 1906, was pitifully small compared with the great needs of the province. At that rate for the future, it would mean that all expenses of the government—administration, public works, education, health, justice, etc.—must be met from an income amounting to about fifty cents gold per capita per annum, a burden of about 1 cent a week on each inhabitant. At the usual estimated cost for all purposes of maintaining one regular soldier, it represents the sum expended by the United States on one battalion of troops each year. In view of our poverty of resources hitherto, the lasting work that has been accomplished by my predecessor and his collaborators is nothing short of marvelous.

At the close of the fiscal year it appears that, had every liability contracted by the province been met (which could not be done because not all supplies ordered had been received), there would have remained a surplus of ₱8,638.40. So small a balance brings the credit of the province, which has never yet been put in question, too near the danger limit. It was therefore decided to begin at once the accumulation of a reserve fund approximating ₱100,000. The revenues of the current fiscal year were estimated at ₱702,200; and if the present

peaceful condition is maintained throughout the year it is believed that this estimate is a very conservative one. The legislative council, with great care and after prolonged study, agreed upon a budget for the entire year, and by its act No. 165 appropriated the sum of ₱603,120 for expenditures up to July 1, 1907. The estimates of the needs of the various departments of the government had been made by their various heads with a view to rigid economy. Nevertheless, they amounted to ₱1,166,964, and admittedly represented crying necessities. It was a difficult and unwelcome, yet imperative, duty of the council to reduce them to the above sum.

The sums appropriated for the current year by act No. 165 are as follows:

Executive	₱86,500
Treasury	57,490
Education	113,412
Justice	32,000
Encouragement of commerce	41,700
Encouragement of agriculture	15,200
Health	10,000
Launch	18,000
Customs	48,988
Public works	179,830
Total	603,120

Thus, it would appear that at the end of the current year there should be a working balance of about ₱99,000. Subsequent, however, to the budget law No. 165 the council enacted its law No. 168, by which certain exemptions from the land tax were made, the revenue from which tax had been included in the above-estimated total of ₱702,200. This total revenue may therefore be somewhat diminished, correspondingly reducing the estimated balance of ₱99,000 at the end of the year. On the other hand, it is hoped that this may be offset by an underestimate in our revenues which, as has been stated, is believed to be an exceedingly conservative one.

In a poor country, with little money in circulation, with no bonded indebtedness to carry, with pressing and just demands upon the government from all directions, it is not wise to lock up any considerable sum in the treasury. In such a country the conservatism of the government is to be judged, not by the extent to which it hoards its revenues, but by the wisdom with which it expends them. But sound credit requires that there shall always be a reasonable sum on hand. Moreover, the Moro Province is in this peculiar position; when the legislative council passed its act No. 165, appropriating ₱603,120 for the current year, it was voting away *in posse* and not *in esse* money. The imperative demands upon the government have hitherto prevented the accumulation of a reserve fund. The necessity for it becomes apparent the moment appropriations are made in a budget covering the entire year, which was first done (and was impracticable theretofore) in act No. 165. If we succeed this year in accumulating a reserve fund of about ₱100,000, it becomes immediately available the following year to meet necessary expenses for public works, while the revenues are coming in out of which a new reserve will be formed. Having no such fund at the beginning of this year we have had to move slowly for a time on important public works, waiting for revenues to accumulate to meet the expense.

Since making the estimate of revenues for the year 1906-7, which guided the council in preparing act No. 165, the treasurer has made a new estimate based upon the increased receipts for July, 1906. This estimate increases the one of ₱702,200 to one of ₱899,338.40, which includes, however, about ₱90,000 covered by existing liabilities. This would much more than offset any possible loss due to the land-tax exemption. The shortness of the time on which the new estimate is based does not make it a safe guide in appropriating moneys not yet received; nevertheless, it warrants a reasonable hope for the future.

During the past year 11.3 per cent of the revenue was expended in administration, 50.3 per cent in public works, encouragement of commerce and agriculture, and 21.4 per cent in education, exclusive of the amount expended from Congressional relief funds.

In reference to methods of transacting treasury business, the acting treasurer submits the following remarks in his annual report to the governor of the province, and which are here quoted for consideration by higher authority:

"Act No. 1416, of the Philippine Commission, styled the accounting act, has been of very little real benefit to the province, and much was expected of it

when it was rumored that a change was to be made in the system of accounting and auditing. The same cumbersome system of duplicate and triplicate sets of accounts prevails in addition to the book records, and the only change is that the accounts are audited at the provincial and district capitals instead of in Manila.

"Due to the fact that there is no bank in Zamboanga which receives deposits, the acting treasurer proposed to the legislative council that he be authorized to put into operation a scheme by which checks could be drawn on the treasurer of the Moro Province, payable on demand. By means of these checks salaries and many bills could be paid and funds could be transferred to the outlying districts: that district treasurers be authorized to draw checks on the provincial treasurer for the payment of bills, salaries, etc. Such a scheme would do away in a large part with the actual transfer of money. At present, in transmitting money, the provincial treasurer draws checks on the insular treasury in convenient amounts and sends those to outlying districts. In many cases, by using the money which is kept, say, from the receipts of the preceding quarter, the district treasurers are enabled to pay the running expenses for the next quarter, or part of it. These same checks are then returned as collections to the provincial treasurer. He, however, can not then cancel and file the checks and thus end the transaction, but these checks must be forwarded to the insular treasurer, to there be placed to the credit of the provincial treasurer, thus again tying up comparatively large sums of money for several weeks. As before mentioned, the revenues of the province are very small and business is conducted on a very close margin. The proposition was approved by the legislative council. The auditor was communicated with on the subject and he was requested to give his advice and also asked if he desired to issue any special regulations as to the manner of accounting and also requested to have the blank check forms printed. The auditor raised several objections to the matter, among others that there was no law prescribing such a system. An answer was written to the auditor describing more in detail the advantages to be derived and stating that the legislative council can pass an act such as he might think was necessary. As the scheme is so simple to put into operation and to conduct, and as the advantages to be derived are so great, it is hoped that the objections of the auditor will be removed so that the proposition can be put into use at an early date. This system, if adopted, will save the province considerable in the way of transportation of funds and will, in addition, be a great convenience to the provincial, district, and municipal treasurers. Instead of three different treasurers handling cash in one locality, only one will keep the actual cash and the others make payments by checks drawn on him.

"A modern burglar and fireproof vault with combination and time-lock doors is being installed in the new provincial building, which will insure the proper safeguarding of the funds.

"It is earnestly recommended that a provision be made for the appointment of a provincial auditor whose duties shall be identical with those of county auditors in most of our United States. This will entail an additional salary to be paid by the province, but the amount saved on blank forms, as well as the time now wasted in their preparation and copying, will more than offset this extra expense, not to mention the convenience of having an auditor stationed at this capital whose decisions are final and conclusive. No accounts current nor abstracts need then be used. Vouchers for payments may be prepared as at present and numbered consecutively as vouchers to the book in which payment is entered and not as vouchers to abstracts and accounts current. The provincial auditor can examine the accounts on the ground and render to the treasurer a statement showing any discrepancies, errors or omissions, and deduct or add same to his report to the auditor for the Philippine Islands, or the chief of the bureau of insular affairs, as the case may be.

"It is not deemed a wise system that requires, to safeguard funds, the expenditure of an amount, which, in a period of ten years, will reach an enormous figure, when the same purpose can be served with much less expense and less 'red tape.'

"The only objection which will be raised to this innovation is that it will open an avenue for collusion and graft. In a government conducted as is that of the Moro Province such a state of affairs could not exist. The treasurer and his subordinates collect and disburse the funds; the auditor is the check, and the committee of the legislative council counts the cash each month and verifies the accounts."

CUSTOMS SERVICE.

The customs service within the limits of this department continues, as heretofore, to be very efficiently administered. The percentage of cost of this administration in Zamboanga has been largely decreased due to economies in the office and to an increase in collections. For the purpose of simpler administration the ports at Bongao and Cagayan de Sulu have been made subports of Jolo.

A quite prosperous settlement of Moros and Chinamen has grown up at Sitanki, in the Sibutu group of islands, Sitanki itself being a small coral island of about 20 acres, in the center of a coral reef. It has some 20 large stores and not far from 40 progressive Chinamen. The Bajaos or Samal Lauts, who pass their entire existence in their boats, come here in large numbers to trade. Quantities of pearl shells, beche de mer and sea fish, shark fins, and other sea products are brought here for sale and barter. There is a wide, swift, and treacherous channel between Sitanki and Bongao, and the presence of a custom-house at Bongao, with none at Sitanki, has afforded a reasonable excuse, if any were needed, for the natives to utilize the natural advantages of Sitanki as a smuggling rendezvous. For this reason a custom-house has been established at Sitanki, resulting in a very considerable decrease thus far in the present fiscal year in the revenues formerly collected at Bongao.

I have recommended to the insular collector of customs a change in the organization of the customs service within this province which, I believe, will result in a more efficient and economical administration. As a convenience to natives desiring to trade by sea, a number of ports should be opened, which can not now be done on account of the resulting expense. These ports should be opened, whether they pay for themselves or not, because the government has no right to impose unnecessary and burdensome restrictions on trade. If it requires that all imported merchandise shall be submitted to inspection, and, if found to come within the requirements of law, to pay duty, and if it requires vessels engaged in trade to take out clearance papers, it should provide a sufficient number of places at which these things can be done without requiring vessel owners to make long and harassing trips for this purpose. It should not tempt, nay, almost force, them to smuggle and then punish them for it. For this reason Siasi and some other small ports should be opened. I have therefore recommended that the present expensive American collectors at Bongao, Sitanki, and Cagayan de Sulu be replaced by native officials, and that a well-paid American official be stationed upon a customs cutter which will be able to visit these and other subports that may be opened, once a week. All these ports should be made subports to Jolo and their collections deposited there with the least delay practicable. It must be kept in mind that if there be smuggling in this part of the islands which endangers the revenue to any serious extent, it can not be stopped by fifty highly-paid American officials without the services of a cutter, constantly engaged in cruising, while with such a cutter one American official and a few natives can do all that is required. The ports into which merchandise is imported in this province are not the places in which such merchandise, except in small part, is consumed. From the ports of entry this merchandise is again transported—very much of it in native vintas and other such boats—to the numerous settlements accessible by water along the coasts of Mindanao, of Sulu, and many other islands. As much of the merchandise imported from Borneo comes in small boats, it does not require much of a temptation to induce these boats to proceed at once to their ultimate destinations rather than to take roundabout and tedious trips to one or the other of the few ports of entry. Unless a customs cutter can be kept constantly cruising the native boats go into a port of entry or not about as they please.

The time is near at hand when the planters who, during the last two or three years have begun the cultivation of hemp and other products in the district of Davao, will begin to get rapidly increasing returns on their investment of capital and labor. For their convenience, therefore, a custom-house will have to be established, presumably at the town of Davao, in the near future.

PUBLIC WORKS.

This department is under the charge of the provincial engineer, who is also responsible for the purchase of all public supplies, and is accountable for all provincial property, there being but one property return rendered for the entire province. It is possible that better results would be obtained if each

head of department and each district governor were given a limited purchasing power and require each to render his own property return.

The engineer reports that the work on the provincial building has been somewhat delayed by failure to receive supplies when expected. By the end of the calendar year a part of the building will be ready for occupation. He reports that during the year there have been constructed a custom-house at Jurata, an isolation corral at Zamboanga, a new barracks for the constabulary at Calarian, a new wharf at Jolo and an extension to the one at Zamboanga. The province has initiated the policy of constructing henceforth permanent bridges as far as possible; two substantial steel girder bridges, with concrete abutments, one bridge on the concrete steel method, and two wooden bridges, have been constructed in the district of Zamboanga.

In the district of Zamboanga there are about 16 miles of improved road, of which $5\frac{1}{2}$ miles were built during the year. In the district of Sulu, the Jolo-Asturias road was graded and metaled with a telford pavement. A contract was made for the completion of the street curbs and gutters in the town of Jolo and the work is now about completed. The town has levied a special tax on property owners to cover the cost of regrading the streets to conform to the changes in the curb and gutter line. In the district of Davao the Davao-Beach road has been completed. On the Illigan-Lake Lanao road 5 miles of permanent telford road have been constructed during the year and 3 miles of macadamized and earth road. Three miles have been cleared, graded and partially graveled, and 12 miles graded and ditched. The brush and grass have been kept cleared on the sides of the road from Overton to Keithley ($19\frac{1}{2}$ miles), and the road has been kept in a passable condition through a most severe rainy season. Five bridges have been partially completed on the Overton-Illigan section and four bridges on the Overton-Keithley section. The engineer estimates that to complete the work and maintain the road for a year will cost ₱180,000.

CHINESE TOBACCO LAW.

On November 29, 1905, on the recommendation of General Wood, the Philippine Commission passed the following resolution:

"On motion resolved, that in the opinion of the Commission it may be desirable for political purposes and for the promotion of good feeling that the Moro Province be authorized to import tobacco, such as is not grown or prepared in the Philippine Islands, for sale to the Moros under restrictions to be prescribed by the government of the Moro Province; the tobacco to be imported by the government, free of duty, and sold through special representatives appointed by the provincial governor, in small quantities to individual Moros at such an advance in price as would cover the cost of handling; that the matter can be properly dealt with by a legislative act of the Moro council, drawn in accordance with the substance of this resolution, which act will come before the Philippine Commission in due course for its approval; and that the said legislative act should make most ample provision to prevent the sale of any such tobacco in such manner that it will go into other parts of the Philippine Islands than the Moro Province, and thereby affect the customs and internal revenues."

In accordance with that resolution, the legislative council passed act No. 153 providing that "for political purposes and for the promotion of good feeling among the Moros, Chinese tobacco shall be entered at the port of Jolo and placed under the custody of the secretary of the district of Sulu; who, before parting with the possession of any of such tobacco shall cause each package to be plainly stamped with the words 'Government of the Moro Province.'" It authorized the district secretary to appoint, subject to the approval of the district governor, distributing agents for such tobacco at such places in the district of Sulu as he might deem best, and to distribute the tobacco to the distributing agents in such quantities as the district governor may authorize, and require the agents to account direct to the district treasurer of Sulu for all proceeds resulting from sales under rules and regulations prescribed by the treasurer of the Moro Province. It limited the sale to Moros, in amounts not to exceed 10 pounds to any individual during a calendar month, for cash, at a price fixed by the district secretary not to exceed an advance of 20 per cent on the price of the tobacco laid down in Jolo. It provided that the proceeds should accrue to a special fund which would remain available for further purchases of tobacco, and it provided that distributing agents, who are otherwise in the employ of the government shall receive no compensation for their services as distributing agents, but others might receive, on resolution of the

legislative council, a commission of not to exceed 10 per cent of the proceeds of the sales made by them, to be paid from the receipts derived from sales. It limited the importation and sale of this tobacco to the district of Sulu, and provided that when exported from the district of Sulu into any other part of the Philippine Islands, the tobacco should be considered as fraudulently imported into the Philippine Islands in violation of the customs administrative act.

Under date of March 12, 1906, the recorder of the Philippine Commission submitted the following queries to the legislative council:

"1. Is it not possible that the act as passed, providing for the distribution of 10 pounds of tobacco to any individual during a calendar month, may result in a distribution largely beyond the real intent of the law, and would it not be better to restrict such distribution to keepers of shops or stores, or so limit it in some other manner as to provide against its distribution in greater quantity than is necessary for the consumers it is intended to reach?

"2. In view of the fact that the legislative council of the Moro Province probably could not enact a law providing that tobacco admitted duty free to that province would be subject to a customs tax if found outside of the province, would it not be advisable to provide a penalty for persons sending or transporting it out of the Moro Province, or selling it to persons outside of said province?"

and invited attention to a letter from the internal revenue agent at Zamboanga to the collector of internal revenue on the subject of the act in question, which was deemed worthy of special consideration. This letter was to the effect that several local manufactories of an imitation Chinese tobacco had been started in Jolo and that the limit of the selling price fixed by the above-mentioned act was ruinous to their business. Petitions from the manufacturers were received direct. Therefore, to meet the implied wishes of the Philippine Commission, act No. 153 was amended by act No. 157, which removed the restriction on the selling price of the tobacco for the purpose of protecting the infant industries, and which provided that any person who violated the provision, that this tobacco shall not be taken into any other "place in the Philippine Islands not within the limits of the Moro Province" shall, upon conviction, be punished by imprisonment of not exceeding one year or by a fine of not exceeding ₱2,000, or by both such fine and imprisonment, in the discretion of the court. The Philippine Commission approved this act with the exception of the amount of the fine, which it reduced to ₱500, although the legislative council had closely followed the customs laws in fixing the amount of the fine at ₱2,000. The legislative council then, by act No. 159, amended the preceding act by making the change required.

The council decided that it was better to administratively regulate the quantities of tobacco sold to individuals, which has been done, the limit being 1 or 2 pounds per month to individuals. It was soon found that the profits to be derived from the sale of Chinese tobacco by the government to the Moros for political purposes and to prevent smuggling would be larger than anticipated. It is the desire of the legislative council to allow the experiment, under this act, to continue during the current year so that its practical results may be thoroughly understood before making any further change.

THE LAND LAW.

The Philippine Commission, by resolution, has extended the application of "The Land Act," or portions thereof, to certain territories therein mentioned, within the Moro Province, in accordance with the recommendations of the legislative council.

(a) In its entirety throughout the District of Zamboanga, and that portion of the district of Lanao, not included in the basin of Lake Lanao, and in that portion of the district of Davao included in the municipalities of Mati, Baganga, Caraga, and Cateel.

(b) Chapter III of said act, relating to leases of portions of the public domain, to the entire district of Cotabato, with the exception of the island on which the town of Cotabato is situated, the island of Tamontaka, and certain immediate areas about the forts of Reina Regente and Pikit; to that portion of the district of Davao not included in the municipalities of Mati, Baganga, Caraga, and Cateel, with the exception of an immediate area about the district jail at Davao, and in the island of Tawi Tawi in the district of Sulu.

(c) Chapter I of said act, relating to homesteads on the public domain, to the portions excepted in Cotabato district, to the portions excepted in the dis-

trict of Davao, and to the immediate vicinities of the town of Jolo and of Siasi, in the district of Sulu.

(d) Chapter IV of said act, relating to free patents to native settlers, in its entirety to be extended over and put in force throughout the whole of the Moro Province.

The legislative council has made every effort to make known throughout the province the resolutions referred to, and particularly the limitations imposed by the land act as to the time within which native settlers may obtain free patents by authority of Chapter IV of the public-land act. However, as most of the inhabitants are savages who have no idea of the land act, the task is a hopeless one. The district governors have been furnished with as many blank forms as it was possible to obtain from the bureau of lands, but these have amounted to only a few hundred. They have personally, and through their subordinates, endeavored to aid the inhabitants in making out their applications. For this section of the land act to be useful to even a few of the inhabitants, it will be necessary to extend the time limitation. It is impossible that a hundredth part of the applications can be in by the date fixed (January 1, 1907), although the district governors and their assistants are at work delimiting the parcels of land claimed by the native inhabitants. There is no work so expensive as surveying many tracts in a large and sparsely settled country, where there are no conveniences as to transportation or subsistence. For many years accurate surveys will not be necessary, nor do the savages, who form by far the greater proportion of the population of this province, know or care anything about such surveys. It is, therefore, recommended that the provincial machinery and personnel be made use of in forwarding the work of granting free patents to native settlers, and in granting leases to other settlers. The cost of making approximate surveys with a prismatic compass and describing landmarks, referring especially to natural landmarks, might be made very small and be paid by the recipients of the free patents and leases. This would enable the material work to go on and the finished surveys to be made in later years, after the development of the country has taken place to some extent, and when the planters, if successful, will be able to pay for accurate surveys.

Under date of August 6, 1906, I received a request from the governor-general for my views as to the desirability of extending the land law in its entirety to the Moro Province. I have held this until I could secure the recommendations of the legislative council at its next session. As for my personal opinion, I agree in the recommendation of the late governor, Major-General Wood:

"That in the Moro Province, at least, land should neither be homesteaded, leased, nor sold to individuals or corporations in those districts occupied by Moros or other non-Christian tribes, except on a certificate by the district governor that the land is actually unoccupied, or that being occupied, a satisfactory arrangement has been entered into between the native occupant and the would-be settler, purchaser, or lessee. A simple arrangement of this description will prevent the crowding out of natives and will do much to give them a feeling of security, thereby tending to establish friendly relations with their white neighbors. Above all, it will help them to hold on to their present holdings to the extent authorized by the land law until they can be regularly surveyed."

As stated above, it will be a very long time before lands can be accurately surveyed for registration. Meanwhile, everything should be done to encourage the native in settling upon a definite parcel of land within that territory over which his tribe has claimed control from time immemorial and in steadily cultivating it with the knowledge that he will not be permitted to be ousted, and that eventually the land which he actually occupies and cultivates will be declared by all forms of law to be his. Any uncertainty in this respect on the part of the native will go a long way toward defeating the present efforts of the government, which are steadily directed toward inducing tribes which now wander over large but rather definite areas to locate themselves on tracts which they can cultivate to the best advantage, where they will be nearer markets for their surplus products, and where they will most completely come under the influence of the government. For a long time to come the Moros in Jolo, in the Rio Grande Valley and in the Lake Lanao basin can be trusted to prevent, as far as they themselves are concerned, any real or fancied injustice from "land grabbers" or would-be settlers of any kind. They will fight to the limit of extermination before they will submit to any real injustice, nor will any person of the class of intending settlers take any chances with them. With

the wild pagan tribes the case is different. Unless the government directly protects them they will be crowded into the mountains and will, as is usual with such peoples, after learning all the vices of civilization, perish from the earth before they have felt any of the benefits of civilization. This would be a crime which should at all costs be prevented, nor should the future historian be able to say that the American people have traveled halfway around the earth in order to commit it. I take it that we are here to civilize these peoples, no matter at what cost of time, labor and patience, and not merely to displace them by another civilized race.

In transferring title to any part of the public lands there should be some provision under which the government may reassume ownership should the private occupant fail, within a reasonable time, to cultivate it, or should at any time thereafter its useful occupation cease.

TAXATION AND THE OPERATION OF LAWS RELATING THERETO.

As stated hereinbefore, the total provincial revenue for the past year, out of which all expenses of the government have been paid, schools conducted, and public works constructed, amounted to about 50 cents gold per capita. Of the total amount less than ₱100,000 resulted from direct taxation. If this taxation fell upon every householder in the province the burden would be inappreciable. Owing to the fact that we are dealing with people varying through all the degrees from civilization to barbarism, with the resulting fact that we can reach some of the people and can not reach many others, the burden is not equally distributed. This is all the more reason why the cedula tax, which before long can be put in operation over the larger part of the province, which can be paid by everyone and can be easily collected, should not be abandoned. There has been more or less opposition to the payment of this tax in the various parts of the province, an opposition which is gradually disappearing as the natives understand that it is not an arbitrary tribute exacted from them and that the expenditure of it in the construction of roads and other public works is to their direct advantage. Many of the chiefs at Jolo expressed their willingness to work out the cedula tax on the roads in their vicinity, and the legislative council authorized the provincial governor to make arrangements to that end. It is found, however, that these people are showing a greatly increased readiness to pay the tax in money, and it is better that they should do so. The very collection of this tax brings us in closer touch with the people, and as they realize that four or five chickens, which they raise without difficulty and sell at the nearest market or Moro exchange, will bring them in the cost of a cedula, and as they realize the payment of it is not merely "graft" on the part of the officials, their objection largely disappears. This is true even of the Moros, who for a long time objected that the payment of this tax was contrary to one of the precepts of the Koran. The legislative council at one time considered the advisability of doing away with the tax, but after careful consideration decided not to do so on account of the ease with which it can be paid and the justice of it.

Under date of March 14, 1906, the Philippine Commission passed the following resolution:

"On motion, resolved, that it is the sense of the Commission that act Numbered Fourteen hundred and fifty-five 'suspending the collection of the land tax throughout the Philippine Islands outside of the city of Manila for the calendar year nineteen hundred and six, and appropriating funds from the insular treasury for reimbursement to the provinces and municipalities of the sums which they will lose by reason of the suspension of the land tax' is not intended to apply and does not apply to the Moro Province; * * *"

This was done upon the recommendation of the legislative council and in view of the generally prosperous condition of the province. Subsequently a petition of some seven hundred Filipinos and others was forwarded by them direct to the governor-general, claiming that an injustice was being done them by the exaction of the land tax when the people of other provinces were exempt from it. This petition was forwarded by the governor-general to the legislative council, besides others which came direct to it. After due consideration, and in the conviction that it would not only produce a good political effect but would also in the near future greatly increase the agricultural wealth of the province, the legislative council passed its act No. 168 entitled "An act to encourage agriculture by exempting certain newly cultivated lands from the payment of the land tax." By this act the owners of certain lands who plant

and maintain in good condition during the year a specified number of certain trees or plants upon a specified area shall be exempt from the payment of the land tax. According to the nature of his ground he may choose from the following variety: Cocoanuts, abaca, maguey, bamboo, coffee, cacao, rubber, gutta-percha, and citrus fruits. Rice land was not exempted, because if this crop be cultivated the land is amply able to pay the tax. The result has been that large areas of rice lands which have lain idle for a long time are now under cultivation and bearing flourishing crops.

A road-tax law should be enacted in this province imposing a tax in money or its equivalent in labor. I do not see how the justice of the desirability of such a law can be disputed. The proceeds of this tax should be fairly apportioned for use in creating and improving facilities for transportation by land and water in the various districts. Certain portions of the province, notably the district of Cotabato, have comparatively little need for roads. In fact, it is a fortunate thing that, except in certain limited localities, the need of roads is not at all great, and more advantages will result to the people by aiding or controlling suitable means of transportation upon the numerous waterways. It is useless here to build roads which we are not entirely able to keep in proper condition, nor is it our intention to build more than we are assured maintenance for.

There is sometimes a noticeable reluctance to enact laws of this character in view of the known opposition of the natives. But no official of the American Government of the islands can deny that he is part of a despotic machine, that he is himself in greater or lesser degree a despot, though we may hope that he will become known in history as one of that class of despots who have left a part of the world better than they found it. His only excuse—and that of the Government which has put him here—for playing this part is that he is ruling these people for their own good. His declared intention is that he plays the part only until he has developed an intelligent community and that then he will place the government in the hands of the majority of this community. It does not lie in the mouth of anyone to accept the position of a despot and to perform the first act of all despots, good or bad, viz, to tax the people for his pay without their consent and then to refuse to accept any of the responsibilities that the universal human conscience imposes upon a despot. It would seem, therefore, to be our bounden duty to do as rapidly as possible those things that we are convinced would be done by the intelligent majority into whose hands we hope to deliver the government. Otherwise, there will never be an intelligent majority. If the Government is to do nothing against the will of the people in their present state it might as well abdicate at once. A governor or legislator, under conditions as they now exist here, when considering an administrative or legislative act, need only ask of his mind and conscience whether this act is one that the hoped-for intelligent majority would do; then, if he so finds it, he should do it as quickly as in reason he can.

FORESTRY AND FOREST PRODUCTS.

The fiscal year 1905-6 marked the beginning of a new era in forestry in the Moro Province. In November, 1905, an American forester, who is a graduate of the Yale Forest School, and had worked with the United States Forest Service for a number of years, took charge of the forestry work in the province.

The year has been noted for the absence of complaints, so common in previous years, against the officials of the bureau of forestry by the local lumbermen.

The trade in lumber has developed, the mills being taxed to their utmost capacity to supply the market demand. New regions, where it was considered impracticable to log in former days, have been invaded by the lumbermen in search of first-class timber.

The great need of the province is a number of companies, backed by sufficient capital, to push the lumber business. The Moro Province is more heavily timbered than any other area of equal size in the Philippine Archipelago. The timber is here in abundance, but it needs men with brains and capital to exploit it.

Prices of lumber have held steady throughout the year. It is to be noted that the Zamboanga market price for sawn lumber is considerably lower than that quoted in Manila. Very little lumber, however, finds its way into the Manila market on account of the difficulties attending shipping. A few sample lots of first group timber, such as Molave, Ipil, etc., have been sent to Singapore and Hongkong, but up to the present time all endeavors to introduce Philippine wood into foreign markets have met with indifferent success.

Gutta-percha and other minor forest products have been exploited extensively during the past year. The destructive method of collecting gutta by felling the trees is still practiced.

The progress in rubber cultivation is especially gratifying. Not only has the government of the Moro Province become interested in the matter and purchased 50,000 seed of Para, but private owners have also taken up the matter and placed extensive orders from time to time.

It is estimated by the forester that over 130,000 rubber seeds of Para, Ceara, and Castilloa have been ordered during the past year. A large part of these seeds have already been planted.

Ceara makes a remarkable growth in this climate; a tree a year old from seed was found to measure $6\frac{1}{2}$ inches in diameter and $19\frac{1}{2}$ feet in height; Para also does well, though not as rapid a grower as Ceara.

TRIBAL WARDS AND TRIBAL-WARD COURTS.

On February 19, 1904, the legislative council provided in its act No. 39 that so much of the area of each district as is inhabited by Moros and other non-Christian tribes in such numbers as to render the extension of the municipal government thereto impracticable, should be divided into tribal wards. These wards are so delimited, as far as practicable, that each one shall contain a single race or a homogeneous division thereof. Over each tribal ward the district governor appoints a headman to be his representative or deputy. In the appointment of the headman preference is given, unless there are strong reasons for the contrary, to that member of the race or tribe within the ward who is recognized by the people as their chief. Through this headman the provincial laws, so far as they apply to these tribal wards, and the instructions of the district governor are made known and explained to the people, the headman acting as an executive official in their enforcement.

On October 6, 1905, the legislative council passed an act providing for the organization and procedure of tribal-ward courts. Under this act each district governor and secretary becomes, upon taking the prescribed oath, and ex officio tribal-ward court justice, and the governor of the Moro Province appoints others, the number of each district being determined by the legislative council. These courts have jurisdiction over all criminal cases in which one or more of the offenders are Moros or pagans, and in those civil actions in which the parties at interest, or any of them, are Moros or pagans. They have jurisdiction to make investigations of criminal offenses, jurisdiction to hear and determine which is vested in courts of first instance, provided the accused, or any of them, are Moros or pagans.

The justices of tribal-ward courts serve now without compensation, although a salary may be provided, payable from provincial funds, the amount in each case to be fixed by resolution of the legislative council. No costs of any kind are taxed or awarded in any action or proceeding, civil or criminal. The written records may be kept in any language which the justice or auxiliary justice may deem most convenient, and oral proceedings may be carried on in any dialect or language with which the parties or witnesses are familiar. An appeal lies direct from the judgment of a tribal-ward court, in a civil or criminal action, to the court of first instance, and on such appeal the action is tried de novo. Fines imposed accrue to the provincial treasury. The justices have power similar to those of justices of the peace, but sentences are largely influenced by the tribal customs of the parties at interest or of the offenders.

By this system the government is gradually bringing the native inhabitants into closer relations with it and is slowly extending its influence over them. However, notwithstanding the much that has been done, the fact remains that owing to the unusual conditions existing here—the total absence of facilities for transportation into the interior, and the extreme savagery of the large majority of the people—there are very many of the inhabitants of this province with whom the Government can not be said to be, as yet, in any real touch.

At the date of this report 51 tribal wards have been organized. Five of these, subdivided into 56 districts, are in the district of Zamboanga and comprise the Yacanes, Samal Moros, Maguindanao Moros, Subanos, and Illanos. There are 9 wards in the district of Sulu, comprising Joloano Moros; in the district of Lanao are 13 wards of Malanao Moros; in the district of Cotabato are 18 wards, 17 of which are Maguindanao Moros and 1 of Tirurays; while in the district of Davao there are 6 wards, comprising, respectively, the tribes of Atas, Bagobos, Guingas, Mandayas, Moros, and Tagacaolos.

List of tribal wards and their headmen.
DISTRICT OF ZAMBOANGA.

Tribal ward.	Name of tribe.	Name of headman.	Names of deputy headmen.	Headquarters.
Tribal ward No. I. District No.—	Yacanes	Datto Mujamat Musalam		Lamitan, Basilan.
1	do		Panglima Musa	Do.
2	do		Imam Kibu	Sumat Basilan.
3	do		Panglima Paa	Candila, Basilan.
4	do		Panglima Mujamat	Malacunan, Basilan.
5	do		Salip Aguil	Uchug, Basilan.
6	do		Imam Talat	Gulon, Basilan.
7	do		Panglima Jhamjay	Taplantana, Basilan.
8	do		Panglima Gumuntul	Mulusu Basilan.
9	do		Maharajah Dalquis	Panlayan, Basilan.
10	do		do	Bulan, Basilan.
11	do		Panglima Sabdan	Pilas, Basilan.
12	do		Maharajah Dalquis	Sabgol, Basilan.
Tribal ward No. II. District No.—	Samal Moros	Datto Rajah Muda Mandi		Zamboanga.
1	do		Maharajah Jhaml	Magay.
2	do		Hudji Abdula Nudo	Taluckangay.
3	do		Maharajah Nualdi	Tictabun.
4	do		Datto Gandan	Landang.
5	do		Panglima Saha	Panubigan.
6	do		Nakib Tannuh	Bangaan.
7	do		Utus Chali	Bulan.
8	do		Maharajah Albani	Recodo.
9	do		Timuay Limba	Patalun.
10	do		Datto Mamura	Siboco.
11	do		Panglima Arula	Bitagan.
12	do		Hatip Salim	Qulpi.
13	do		Timuay Mandigda	Sindangan.
Tribal ward No. III. District No.—	Maguindanao Moros	Maguindula, Sultan of Maguindanao		Margosetubdg.
1	do		Datto Dacila	Cumalaran.
2	do		Datto Mama	Lapirauan.
3	do		Timuay Bantus	Sey.
4	do		Hudji Anwl	Kulatan.
5	do		Capitan Alip	Sanitu.
6	do		Datto Gumba	Rabangon.
7	do		Timuay Imblug	Pang-pang.
8	do		Datto Salip Yassa	Kabasaan.
9	do		Vacant	
10	do		Datto Sa Palan	Danao.
11	do		Datto Kalug	Dinas.
12	do		Vacant	
13	do		Timuay Maguindo	Sedol.

Tribal ward No. IV— District No.—	Subano	Bias Lagorta	Lubungan.
1	do	Jose Gampas	Domblolog.
2	do	Jose Canong	Langatlan.
3	do	Isidro Patangan	Toocan.
4	do	Luis Rolog	Matam.
5	do	Pablo Tology	Disacan.
6	do	Juan Ompang	Ponot.
7	do	Vacant	Gomay.
8	do	do	Pflan.
9	do	Francisco Somonod	Ponong.
10	do	Francisco Landigo	Cuya.
11	do	Basilio Somindod	Tucuran.
Tribal ward No. V— District No.—	Illanos	Datto Gulmba	Do.
1	do	Datto Gulmba	Labangan.
2	do	Datto Bagu	Balanug.
3	do	Datto Luminculub	Tawagan.
4	do	Datto Salicula	Pagadian.
5	do	Datto Salacub	Madagang.
6	do	Timuay Gullnang	Musum.
7	do	Timuay Subimpun	

DISTRICT OF SULU.

Tribal ward No.—	Joloano Moros	Tuan Sali	Jolo.
1	do	Moharajah Indanan	Likup.
2	do	Datto Hadji Jonkagalin	Paticol.
3	do	Panglima Bandahala	Karongdong.
4	do	Datto Kalib	Plaban.
5	do	Datto Edli	Tongkl.
6	do	Tuan Hadji Butu	Tullai.
7	do	Tuan Hadji Usman	Bongao.
8	do	Datto Amir Hoosin	Siasi.
9	do		

DISTRICT OF LANAOS.

Tribal ward No.—	Malanao Moros	Panondungan of Detschen	Bayabao region.
1	do	Amal Sankaka'a	Do.
2	do	Sultan of Banaayan	Maciu region.
3	do	Amal Binaaning	Do.
4	do	Sultan of Tugaya	Do.
5	do	Sultan of Loto	Do.
6	do	Sultan of Bacoled	Do.
7	do	Sultan of Madalum	Do.
8	do	Amal of Tampugao	Unayan region.
9	do	Sultan of Ganai	Do.
10	do		

List of tribal wards and their headmen—Continued.
DISTRICT OF LANAO—Continued.

Tribal ward.	Name of tribe.	Name of headman.	Names of deputy headmen.	Headquarters.
Tribal ward No.—				
11	Malanao Moros.	Sultan of Dimaan		Unayan region.
12	do	Sultan of Bayabao		Bayabao region.
13	do	Sultan of Romain		Do.
DISTRICT OF COTABATO				
Tribal ward No.—				
1	Maguindanao Moros.	Datto Bakee		Kalangunan.
2	do	Datto Balabalan		Gapat.
3	do	Telekoko, Sultan of Bagumbayan		Bagumbayan.
4	do	Datto Mastula		Nulin.
5	do	Datto Dimbangan		Libungan.
6	do	Datto P'iang		Duluan.
7	do	Datto Sansalupa		Pidu P'ulangin.
8	do	Datto Kuli		Pikit.
9	do	Datto Mantull		Kabacan.
10	do	Datto Mamalintan		Kalamuging.
11	do	Datto Mopuk		Dupit.
12	do	Datto Mamintal		Delikan.
13	do	Datto Maguda		Talayan.
14	do	Datto Matabalon		Tran.
15	do	Datto Kall Pandapatan		Buldung.
16	do	Datto Tambutu, Sultan of Talik		Calundal.
17	do	Datto Uatu Mama Timan		Malatunai.
18	Tirunays	Adriano Acosta		Tamontaka.
DISTRICT OF DAVAO.				
Tribal ward No.—				
1	Atas	Bancas		Bancas.
2	Bagobos	Tangcailing		Sibulan.
3	Gulngas	Ynug		Tagapan.
4	andayns	Banklaon		Banklaon.
5	Moros	Mangah		Lasang.
6	Tagacaolos			

^a Balanag, the headman of this tribal ward, was concerned in the murder of the late District Governor E. C. Bolton, which occurred on June 6, 1906, the actual murder having been committed by Mungalayon the deputy headman. Mungalayon was killed on August 3, 1906, while in armed resistance to arrest. Balanag is still in the mountains, but the latest reports from Davao are to the effect that he was negotiating for surrender.

EDUCATION.

On June 30, 1906, Dr. N. M. Saleeby resigned his position of superintendent of schools, referring to which the legislative council passed the following resolution:

"Whereas Dr. N. M. Saleeby has found it necessary, by reason of pressure of private interests, to resign the position of superintendent of schools of the Moro Province, which he has occupied since the organization of the province until June 30, 1906:

Resolved, That the legislative council of the Moro Province hereby tenders to him, and enters on the records of its minutes, this expression of its appreciation of Doctor Saleeby's faithful and valuable services in the organization and direction of the public school system of the Moro Province, as well as in the general legislative work of the council; that the council views with regret the severance of his relations with it, and that in parting with him it wishes him all happiness and success in the practice of his profession, which he now resumes."

Since June 30 last Mr. Charles R. Cameron, assistant superintendent of schools, has performed the duties of superintendent.

The population of this province is estimated at not far from 450,000 souls. The number of children who ought to be in the schools is at least about 30,000.

The highest enrollment during the year 1905-6 was 4,235, and the average attendance was 2,021. Of these about 570 were Moros, with an average attendance of about 300; 79 were Bagobos, and the rest were Filipinos. Of course at present a very large proportion of children of school age is entirely beyond the reach of school authorities and influence, and will so remain for a long time to come.

During the year the cost of maintaining the school system for salaries (day and night schools) and for supplies, but excluding construction and repair, rents, travel expenses, contingencies, postage, etc., was ₱126,783.25, making a cost of ₱29.93 per child of enrollment and a cost of ₱62.73 per child of average attendance.

The number of day schools was 57 and of night schools 10, a total of 67. For these 67 schools there were 94 teachers, of whom 27 were Americans and 67 natives.

By districts, of the enrolled children there were 397 in Sulu, 2,059 in Zamboanga, 481 in Lanao, 271 in Cotabato, and 1,023 in Davao. The average daily attendance was 172 in Sulu, 905 in Zamboanga, 232 in Lanao, 137 in Cotabato, and 575 in Davao.

For the 67 schools there were 50 school buildings. With few exceptions these buildings are either rented or are disused buildings belonging to municipalities. For the most part they are in bad repair and were originally poorly adapted to their present use. It is much to be desired that the next important work of construction at the provincial capital shall be a well-built and thoroughly modern school building. This should be followed by similar buildings at each of the district capitals.

In the month of July, 1906, the number of American teachers authorized was 28 and the number actually used was 22. The annual salaries of those used varied from ₱1,440 to ₱2,800, aggregating ₱46,600; an annual average of ₱2,118, or a monthly average of ₱175. In the same month there were 67 native teachers on duty, of whom the males received an average monthly salary of ₱40.73 and the females an average of ₱25.

During the year 1905-6, 28 American teachers were authorized by law and 27 was the maximum number actually employed at any one time. Of this number 3 were assigned to the provincial secondary school, 1 in charge of industrial instruction for boys at Zamboanga, 5 in charge of primary schools for Moros, 1 in charge of the sewing school at Zamboanga, 17 in charge of various primary schools, as follows: Two at Zamboanga, 2 at Iligan, 2 at Davao, and 1 at each of the following places: Santa Cruz, Mati, Caraga, Baganga, Cateel.

Of the 67 native teachers, 11 are Moros and 56 are Christian Filipinos. One of the Moro teachers is a woman who speaks English and teaches partly in English and partly in Moro. Of the 10 male Moros, 5 teach English and Moro and 3 teach only in Moro. Two Moro teachers have in reality been supervisors of Moro instruction and have acted as translators and interpreters. Of the 56 Christian Filipino teachers, 36 have been in charge of primary schools and 20 (excluding the two Moro supervisors) act as assistant teachers. Sixty can

teach in English, and of these 8 can teach the fourth and lower grades, 16 can teach the third and lower grades, while all can teach the second and first. Of the 7 teachers not included in the latter statement, 5 teach only Moro and 2 only Spanish.

The school-teachers in the province have worked zealously for the moral and scholastic improvement of the pupils intrusted to their care.

Act No. 145, of the legislative council, vests duly appointed and qualified teachers in the public schools of the Moro Province with such powers of a parent over the pupils under their charge as may be necessary to enforce the rules and regulations adopted by the school department for the government of the school and to maintain discipline in the school. In order to maintain discipline or to compel obedience to any lawful regulations, a teacher may, subject to the regulations of the superintendent of schools of the Moro Province, inflict reasonable corporal punishment upon a pupil. No teacher shall be civilly or criminally responsible for the infliction of corporal punishment upon a pupil for the purposes mentioned, unless such punishment is wanton, malicious, or manifestly excessive.

Act No. 167, passed on June 20, 1906, provides for compulsory attendance of children of school age (not less than 7 nor more than 13 years of age) at the daily sessions of a public school, subject to certain specific limitations. A child disqualified for physical infirmity or mental incapacity, or who resides at a distance of more than 2 kilometers from a public schoolhouse, or for whom there is not sufficient accommodations at the schoolhouse, or who has been disqualified through misconduct, or who is in regular attendance at a parochial school, or at a private school which has been formally recognized as a school by the superintendent of schools, is exempt from the operation of the law. A parent or other person having the custody of the child, who fails to comply with the provisions of the law, shall, upon conviction, be punished by a fine of not less than ₱3 and not more than ₱30. When the accused is a non-Christian, the municipal president and the justices of the tribal ward courts have concurrent jurisdiction; in other cases, the municipal president and the most accessible justice of the peace shall have concurrent jurisdiction.

The operation of these two laws has had a most salutary effect.

The compulsory school law was passed only after consultation with the church authorities in Zamboanga in charge of parochial schools, who expressed complete satisfaction with it. The effect of the law has been to largely increase attendance in the public and parochial schools.

Now that we have reached the time—as we hope we have—when general disorder and resistance to governmental authority has ceased, the question of the kind of education that will prove both of immediate and lasting benefit to the people, useful in developing an agricultural and industrial community, and in cementing a friendly feeling toward the government which gives them that education, has become of supreme importance. The essential thing to keep in mind is that the kind and method of education we agree upon for a given community must not have a tendency there to bring back the condition of disorder and armed resistance from which we are emerging. Under existing conditions it is impossible to have a highly organized system, but rather a loose-jointed one is desirable. The situation requires us to cut away from traditional systems and to create a new one so elastic that it can adapt itself to all the varying conditions between the extremes of civilization and barbarism. The original organic act and the act amendatory thereto wisely contemplated this and distinctly provide that the organization of each school, its subjects and methods of instruction, shall be adapted to the conditions of the locality which the school is intended to serve. Manifestly where these conditions are so widely various, no general system of organization is applicable. Each school or each small group of schools must have an organization carefully studied out and specially adapted to it.

In general, the object of these schools must be to convey certain fundamental modern ideas to the youth of a generation which has little or no conception of these ideas—the small Christian Filipino population having but little conception of them, and the greatly preponderating Mohammedan and pagan population having no conception of them at all. These ideas are not merely American or English, but are common to the modern civilized world.

Bearing in mind that the schools are governmental agencies for civilization, there are three groups into which the community naturally divides itself with respect to them: (a) The small minority of Christian Filipinos, (b) the great majority comprising (1) the Mohammedans and (2) the Pagans. These natural

divisions are broadly separated from each other by three conditions of prime importance, while at the same time varying phases of these conditions appear within each one. They are (1) religion, varying in kind from Christianity through Mohammedanism to nature worship and the crudest forms of pagan idolatry; (2) culture, varying from that which naturally characterizes Christian communities of a not very advanced type to that of absolute barbarism; (3) relations of the people to the government, varying from friendliness to distrust and finally to more or less decided opposition.

These considerations have a decided bearing upon the question of the further development of the schools and the subjects and methods of instruction. This instruction must be directed to the accomplishment of the object for which the special government for the Moro Province was established. Manifestly the only reason for the temporary separation of this province from the general scheme of government in the rest of the archipelago was a peculiar condition existing here, so that rather than have one nonhomogeneous government it seemed better to have two homogeneous governments under one control. Equally manifestly the "peculiar condition" here is the Moro. The Christian Filipino in Mindanao is pretty much the same as his brother in the Visayas; the pagan tribes are pretty much the same as the head-hunters and the other savages of northern Luzon.

Therefore, this special government was established to put the Moro on "all fours" with the inhabitants of the rest of the islands, and its ultimate success will depend upon the extent to which we can train, develop, and civilize him.

But hitherto the Moro has had to receive the first and bitter lesson which, in all history, has been the savage's preliminary instruction in the ways of civilization; he has had to be taught that civilization is physically stronger than barbarism. While he was learning this lesson he was unable to learn the next one, nor was he in a frame of mind to benefit by it. Therefore, hitherto it has been impossible to carry any extended scheme of school instruction among the Moros. A development of this instruction on any scale has been possible only among the Filipinos, and there most of our schools now are.

But having in mind that our revenues applicable to education enable us, at the best, to cover but a small part of the territory, and now that we are beginning to be able to pass from the Filipino to the Moro it is evident—referring to the three conditions on page 80—that the former should, for the present, receive less attention than the latter; because the Filipino already has the highest form of religion, already has considerable culture, and is friendly to the government.

The problem now confronting us is made serious only by the lack of money.

Practically all of the public revenue available for education is absorbed in the Filipino schools. But the Moro can not come to these schools, nor is the system, which meets with fair success in them, suitable for his needs. Except in certain centers—Zamboanga, for example—where he has been more or less under foreign influence for a long time and has lost many of the characteristics of his race in general, our system of book instruction is repugnant to the Moro. Nevertheless, manual-training schools will be gladly received by these people, and \$500,000 expended now in the establishment of such schools would do more than any other conceivable thing in beginning their development. They will be so many points of contact at which the influences of the government will center and from which they will radiate among the people. It would be only a question of time when their suspicion would disappear, and a more or less elaborate system of book instruction would be gradually developed.

As far as possible the instruction should be given by English-speaking native teachers, but not necessarily in the English language. Unless the American teacher learns the native dialect the native must learn English, in order that through it he may acquire our ideas. In the imparting of these ideas to native children neither he nor they should be hampered by requiring that the ideas should be conveyed through the medium of English. Even among Filipino schools taught in English by a native teacher the visitor must be impressed by the enormous waste of time in teaching children the essential things, a knowledge of which is needed by them at once. The native teacher has, in several years' course of training by American teachers, learned fairly well many American ideas, but has poorly learned the English language. Instead of immediately communicating the ideas to his pupils in a language common to both, he wastes years of their time and his in attempting to get ideas into their heads through a language which is foreign to both of them and in which he is not a competent instructor. In time the teaching of English to the great mass of pupils will naturally come, but it should be the last thing taught them instead of the first.

Therefore, I think that in beginning our attack upon Moro and pagan savagery we should first establish the largest possible number of industrial and agricultural training schools in which, at the outset, no books will be used, but in which native teachers who have absorbed a few, at least, of modern ideas will gradually communicate them, along with manual training, in the language of the locality.

We are making gradual efforts to replace all of the American teachers in the outlying districts by native teachers who have been trained in the school system of Zamboanga. In time, the only American teachers should be those in Zamboanga, and this place should be made the educational center of the province for the purpose of training native teachers drafted from all parts of it. Here we should establish a carefully graded system in which pupils, who are to become teachers in Moro and pagan schools, should receive careful instruction in the various arts and trades, a knowledge of which it is desirable to spread among these people. The Moro is a hard worker and a natural artisan in various lines. He is fond of money and will work hard to get it. The thing that will first of all and most of all tie him to us is to teach him how to make better boats, better plows, better carts, better houses, to teach him the methods by which he can raise more and better hemp and copra and other products of the soil. Instruction of this kind will cause the children of the present generation to grow up into better men; any system which makes their progress dependent upon their first learning English will leave them, as a mass, no better than they are for generations to come.

Lack of money is the only thing which prevents the immediate and rapid development of the proposed system. In order to secure money now for this purpose, it is a serious question whether an agreement should not be made with the authorities of the church by which, wherever they will agree to establish a school in a Christian Filipino community which will come up to the standard of a public school, we should immediately withdraw the public school and utilize the money so saved in conducting our war upon Moro and pagan ignorance. The real parochial schools are well equipped and well conducted. I believe that wherever such a school is established, except in Zamboanga, it would result in greater harmony among the people and in equally good education if we could at least temporarily withdraw the public school and save its expense for better purposes. It may be said that the parochial schools need the stimulus of competition to keep them up to the standard. That may be true; so do our schools. But in any event, let us first establish as good schools among the Moros and pagans as the Jesuit Fathers have among the Filipinos, let us first give the Moros and pagans as much culture and civilization as these priests have given the Filipinos before we expend our money in competition with them.

THE GOVERNMENT FARM.

The San Ramon farm was turned over to the province in November last, the province to pay all expenses and receive all the earnings, the title to remain with the Philippine Commission under certain fixed conditions contained in a resolution of that body, dated September 11, 1905, and accepted by a resolution of the legislative council, dated September 29, 1905. Being near Zamboanga, the difficulties of regulating the farm are reduced to a minimum, and already the returns have quite justified the transfer. The limited area already under cultivation is able to furnish seed and seedlings to the planters within the province. It also serves as a valuable aid in instructing the native inhabitants in the proper methods of agriculture and illustrates to them the advantages to be gained by the use of improved tools and implements. In order to stimulate the development of this valuable plant, the superintendent will receive this year 7½ per cent of the net profits of the farm, in addition to his salary, and it is the policy of the legislative council to make a contract with him on the same basis to cover a number of years. Nurseries have been started, in which a large number of fruit and other trees are grown. Preparations are now being made for lining the principal roads with fruit and other valuable as well as ornamental trees, set at regular intervals along the sides, thus to produce in time beautiful avenues which will be a constant source of pleasure and profit.

Due to the very great interest which many of the natives take in observing the operations of the San Ramon farm, it has come to be a valuable aid to the government, not merely in teaching better methods of agriculture, but in establishing relations with people whom, otherwise, it would be difficult to

reach. Thus, on April 26, 1906, the provincial governor invited, through the district governor, the Sultan of Sulu, and the principal dattos and headmen, with some of their followers, to visit Zamboanga for the purpose of observing the operations of the Moro exchange and the San Ramon farm. The Sultan came with about seventy-five of the principal men of the island. Several of the principal men of Jolo declined to come because of the intensity of the feuds which had existed for a long time between them and some of those that did come; they therefore declined to travel in their company. Among those who did come relations were more or less strained. The most gratifying result of their visit to Zamboanga in each other's company was the noticeable and speedy increase in better feeling toward each other. At the San Ramon farm they were united in a common feeling of interest and admiration at the working of the modern plows, cultivators, and harrows, in comparison with their own antiquated implements.

One of the causes of enmity between these people has been the stealing in time past of work animals from each other, and one of the evidences of an increasing mutual good feeling appears in a report of the district governor a few weeks after their return to Jolo from their visit to Zamboanga. It seems that one of the principal chiefs—Panglima Indanan—had come to him and said that he had found on his place a number of animals; that he did not know how they got there nor who were their owners; that he, therefore, brought them to the governor with the request that if he could find out who the owners were he should return the animals to them. This the governor gladly undertook to do, although he could hardly suppress a smile, since the brand of Datto Joakanain (a long-time enemy of the Panglima) could be seen on each animal a hundred yards away. The governor returned the animals to their rightful owner, and a few days later Joakanain came in and reported to the governor that he had found wandering about his place a number of animals that were not his and whose owners he did not know; he, therefore, brought them in to the governor in order that the latter might return them to their owners, if they could be found. Indanan's brand was on all of them.

Indanan is the man who, in the early days of our occupation, suggested that a thousand selected Moros and a thousand selected Americans should go out and fight to a finish, purely as a sporting proposition and to determine which were the better men. A jesting remark was made to him about this when he was at the San Ramon Farm watching a 10-inch plow turn a furrow larger than his native plow could make in ten turns. He replied, "I do not like even to think of fighting when I am seeing such wonderful things." He and the other chiefs are now anxious to get farming implements of an improved pattern, and the governor is aiding them to do so. The simpler forms of implements are being put on exhibition at the Moro exchanges, with the lowest possible price attached to each, and they are already being purchased in considerable numbers.

COMMERCE AND AGRICULTURE.

Commerce and agriculture continue to improve, and it is to be hoped that nothing will occur to impede progress in these directions. Trade has largely increased, and every effort has been and is being made to develop the resources of the country, as upon the exports the entire success of the government depends.

A record, which is necessarily incomplete at present, is being kept of the exports of the province. The data thus far obtained indicates an annual value of exportations of ₱2,000,000.

The legislative council has renewed the subsidy for the small 90-ton steamship, which furnishes a regular and cheap transportation between the various ports of the province.

The guaranty to the China Navigation Company, under which its boats, plying between Australia, China, and Japan, stop at Zamboanga once a month each way, has also been continued for another year. The results of the first years' experiments were very satisfactory. Out of the guaranty of ₱20,000 the province paid less than ₱9,000. In return therefrom it collected ₱25,000 in customs dues, furnished cheaper rates for merchants, and opened up a new market.

At the request of my predecessor, the governor-general recommended to Congress the removal of the prohibitive export duty on fresh cocoanuts, which was done February 26, 1906. A Hongkong firm is now trying to arrange for shipments to them, from this port, of 100,000 green cocoanuts per month.

The Cotabato Valley, which is one of the largest and best watered of all the valleys in the Philippine Islands and which has soil of great fertility, is now ready for development since the suppression of hostilities there. The natives are in general friendly and disposed to work. In spite of the drawbacks, it is hoped that settlers may be induced to take up land in that region, which is especially adapted to the rapid growth of cocoanuts, rubber, sugar cane, etc.

The government is considering the establishment of a commercial boat on the Cotabato River, which should be a flat-bottom, stern-wheel affair, drawing 18 inches to 2 feet. This will be done as soon as satisfactory arrangements can be made, under contract, for a suitable guaranty. The returns for the first year will probably not pay the running expenses of the boat, but another year should show the advantages and prove that it will become a remunerative enterprise.

A commercial boat in the Gulf of Davao would also prove a valuable investment and of the greatest assistance and advantage to the merchants of the district and for the use of the government. A boat there should pay from the beginning, although the province might well furnish a guaranty in order to get better service.

It is understood that private parties have under consideration the establishment of a launch and lighter service at Zamboanga.

Lighters are in demand for loading and unloading the increasing number of commercial boats; while the launch, when not otherwise employed, could quickly establish a paying ferriage business to the nearest towns.

The planting of hemp has gone on rapidly and several Australian buyers have shown themselves interested in obtaining the output. Large quantities of hemp are produced in Davao, and next in importance comes Dapitan and the country surrounding it, although Jolo has been shipping 1,000 piculs per month. There has been a steady increase at Zamboanga and Cotabato.

The question of a sufficient supply of labor of the right kind will undoubtedly cause serious embarrassment to planters in this province in the near future. Under the present policy of the government they can count upon nothing but native labor, which, although slowly improving, is irregular and unsatisfactory. There is ample room for the introduction of considerable labor from other nearby countries of the Malay race without in any way prejudicing the rights and interests of the natives. If this could be done it would insure the rapid development of the rich resources of the province.

HEALTH.

It is hoped that act No. 1487, Philippine Commission, will not be made to apply to the Moro Province. The present system has worked well and involves a minimum of expense. It is to be feared that the proposed arrangement may largely increase the list of salaried employees, which the province has reduced in every possible way. If it be necessary for the general health of the archipelago of course no objection can be offered on the ground of expense, but as the present system has worked well here it is hoped that no change will be made materially increasing the cost of this department.

The provincial government has pushed forward vaccination as rapidly as practicable and its results are manifest in the disappearance of smallpox. Great care has been taken to prevent the introduction of cholera from infected ports in the East.

Hospitals and dispensaries are on the list of projects proposed for consideration as soon as funds are available. In the meantime the thanks of the province are due to the army for its assistance in this respect. Indigents and other sick and injured are treated in the military hospitals. The indigents are paid for by the province at a uniform rate. The army surgeons serve as health officers at a small remuneration, which the province will increase whenever it is able. Meanwhile these surgeons render every assistance with the utmost willingness. The present arrangement gives us the equivalent of ten or twelve bed hospitals at the rate of about ₱250 each per month.

The use of these hospitals by the natives has had a wonderful effect in increasing a friendly feeling toward the government. Thus, a short time ago a report was received here that a number of natives—Yacans and Moroized Filipinos—had been horribly cut up near Lamitan, in the island of Basilan, in an affray resulting from an internal feud. A hospital corps man, with suitable appliances, was at once sent across the straits in a vinta. He found the condition of the wounded such that, to save life, they had to be immediately

brought to the military hospital in Zamboanga. This their friends and relations permitted only with the greatest reluctance. In due time they were discharged perfectly cured and returned to their friends with totally new ideas as to the disposition of the Americans toward them. A more recent instance was that of a Moro brought to the hospital, cruelly mangled by a shark. Surgeons have told me of cases where a poor Moro, who had received free treatment, has stopped at their door and laid down a fine fish, or a few eggs, or some beautiful shells—anything in their possession that would show their gratitude—and then go their way without a word.

CHANGES IN ORGANIZATION.

Several changes were made, during the administration of my predecessor, in combining offices, formerly separate, under one head, for the sake of economy. The combining of the office forces of the provincial governor, secretary, and engineer has worked very satisfactorily, permitting the office force to be reduced and a material saving being made in salaries. The record system in the secretary's office is probably the simplest that could be devised with efficiency. Cutting out indorsements and record cards has eliminated much useless work and effects a great saving in time and money. The use of a simple information slip enables papers to be referred from one local office to another, and the prompt securing of all needed information enables cases to be acted on with greater dispatch.

Section 4 of act No. 1283, Philippine Commission, provides, under certain conditions, for the consolidation of the office of superintendent of schools with that of governor and of the office of provincial engineer with that of the secretary. This undoubtedly will result in economy of administration without any loss in efficiency. But it does not accomplish a reform very much to be desired. No member of the legislative council should be especially interested in securing an appropriation. Yet, by the proposed arrangement, just as in the existing one, the heads of the school department and of the department of public works (the two largest money spenders) will be members of the legislative body.

Further legislation is recommended which will empower the provincial government to appoint a superintendent of schools and an engineer, with such compensation as the legislative council may allot, but who shall not be members of the council.

HARMONY IN THE OPERATION OF BUREAUS.

I have observed that sometimes misunderstandings and consequent difficulties have arisen from the independent action of officials and employees of the different bureaus of the insular and provincial governments. The inhabitants of this province do not understand a divided authority, and each time that a misunderstanding of this kind occurs it requires a great deal of time, and a great deal of patience, and a great deal of tact to undo the harm that is done and to keep up progress toward better feeling between the people and the government. As the savage inhabitants are so largely in the majority, this particular form of provincial government was established for their protection and elevation, until such time as the province can be absorbed into the general system of the insular government. It is therefore suggested that by administrative orders all representatives of insular bureaus be instructed to report to the provincial governor upon arrival at the capital, and to the district governors of the various localities, thus enabling the former to give necessary instructions to the latter and the latter to give necessary instructions to their subordinates. Of course this would not apply in a case where any one of these officials was himself the subject of investigations; but in other cases it is believed that the work of the representative of an insular bureau would be facilitated by working more closely in harmony with the provincial governor and his subordinates. When such representatives discover, through their inspections, that the laws are not being carried out, it would be better if they first report the noncompliance to the district officials before attempting to give orders to the natives. The district officials are charged with the enforcement of law within their respective jurisdictions and the natives are accustomed to look to them, and to them alone, for instructions and orders which, by reason of the personal relations that have grown up, are as a rule readily obeyed. When a strange official gives them orders, their attitude at once becomes sullen and resentful. District officials and employees have instructions to lend all assistance to representatives of the

insular bureaus. Each time that there is a hitch just so much is the work of the government retarded. It is due from me to say—and it is a pleasure to say it—that in most cases the officials work in perfect harmony, which makes the few departures from a tactful understanding the more noticeable.

DISTRICT FAIRS.

The policy has been adopted of holding an annual agricultural fair in each district of the province. The first one was held during the first week of August of this year at Cotabato. It resulted in a most interesting and instructing exhibit of the principal products of that district. Committees of natives were formed to award prizes for the best exhibits of rice, tobacco, corn, hemp, mats, brass work, etc. The natives took the greatest interest in the exhibition, and brought in large quantities of their products. These were displayed, properly labeled, in the district government building and were eagerly examined by the many thousand Moros who assembled at Cotabato during the fair. It brought together men who had never seen each other before; Kali Pandapatan came from Buldung; the chief of the Bagobos, with a number of his followers and a number of the principal Manobos, made a several days' trip from the Davao country to be present; dattos and their followers from the up-river country and the down-river country, and the headman of the Tirurays and many of his followers came. Each day of the fair began with the exhibition of modern farming implements and their practical use. For this purpose various implements were loaned from the government farm at San Ramon; a local dealer in farming implements in Zamboanga sent over a considerable number of implements as samples. The use of these was demonstrated to the natives and all of the samples were sold immediately. The rest of each day was devoted to the awarding and distribution of prizes, to games, races, native theatrical performances, etc., this latter keeping up a constant spirit of amusement and good feeling.

It was only during the course of the fair that the natives began to understand and appreciate its object, and all said that on the next occasion their exhibits would make a better showing.

Aside from the benefits that these fairs will bring in improved and stimulated agriculture, in the good feeling which comes from friendly intercourse among men who, theretofore, rarely or never saw each other, in the moral and material elevation resulting from bringing together types of savagery and civilization in friendship and mutual instruction, they have another great advantage in bringing district and provincial officials into close touch with the people under circumstances which excite no suspicion in the minds of the latter. When a council of headmen is called for a special purpose, these men assemble reluctantly (oftentimes making various excuses for not coming) and with a feeling of distrust and suspicion as to what the government may be going to propose to them. At these fairs they assemble voluntarily, under circumstances which interest and please them, and can be talked to and reasoned with while they are in an attitude of mind open to reason. Thus, on the 4th of August, the provincial governor and the district governor of Cotabato had a council meeting, composed of practically every man of any consequence in that district, and talked over with them the aims and policies of the government in a most friendly and receptive spirit on both sides. It probably would have been impossible to get the same number and kind of men together under any other circumstances.

It is intended to have a similar fair in the Sulu district in the month of October and for the Zamboanga district at some time not later than February next. Similar fairs will be arranged in the Lanao and Davao districts at suitable times. Although these are district fairs, the government will encourage the natives of other districts to visit each one and exhibit their products. Nothing but good can result from the freest intercourse among these people; it will tend to break through the feeling of prejudice, bigotry, and hostility, which is due to their isolation.

MUNICIPALITIES.

Sufficient data to enable comment on this important subject to be made in this report have not been received. A special report will be rendered as early as practicable to the governor-general.

LOCAL CONDITIONS AS REPORTED BY THE DISTRICT GOVERNORS.

Zamboanga.—The district of Zamboanga has continued its successful progress under the administration of Capt. John P. Finley, the district governor. It contains two municipalities, five organized tribal wards, and parts of two judicial districts. Each municipality is divided into 12 subdistricts, with a councillor in charge of each; and each of the subdistricts is divided into barrios, with a *teniente* in charge who is directly responsible to his councillor. The place of residence of the councilmen is necessarily a long distance from the town and, on account of difficult trails, bad weather, and rough seas, the matter of attending the municipal council meetings becomes rather a difficult one. It not infrequently occurs that councilmen can not make the round trip for the regular meeting before the next meeting is due, entailing a hardship upon them which at present can not be avoided. The questions of police and sanitation have been energetically handled, with gratifying results. The province employs veterinary surgeons and they render their reports direct to the district governor. There has been marked success in stamping out the diseases of surra and rinderpest. Smallpox and other infectious diseases have been successfully handled. Even among the wild mountain tribes of Subanos, where an epidemic occurred, the natives themselves established local quarantines and called for aid, which was rendered as promptly as possible and the disease stamped out. In the municipality of Dapitan the police work was turned over to a company of constabulary with advantageous results. In the same municipality a number of Filipino landowners and Spanish merchants are moving for the construction of an irrigation canal which will convey water about 15 miles to the extensive rice fields south and east of Dipolog. This work was inspired by the district governor and will be encouraged by him. The labor on it has been mostly voluntary; its payment will be in the increased production of rice when the water has done its work on the soil and crops. The soil of Dapitan is well adapted for the cultivation of hemp, which is the principal industry of the municipality; about one-half of the output comes from the Subanos, working either for themselves or for the Filipinos. The entire product of this rich region goes to Cebu. In the district of Zamboanga the tribal ward system has given most favorable results. Meetings of the deputy headmen are held as frequently as possible and, even if it is against their will, they readily carry out the instructions of the district governor in encouraging the output of native products. They have also been very active in the preservation of order and in arresting criminals and bringing them in to the authorities for trial.

The Moro exchanges continue to be administered with most excellent results and are being extended as rapidly as possible. Due to the efforts of the district governor, very remarkable articles of agreement have been entered into with the merchants of the district. The merchants have agreed to purchase all native products through the exchanges; to pay cash for all purchases; to discourage barter with the natives for the products of their labor; to give no credit to natives without the verbal or written order of the district governor, anyone so doing after June 1, 1906, to forfeit the amount of the debt so incurred. On the other hand, all who may have claims against natives prior to that date may present these claims to the district governor for examination and collection as far as possible to do so.

About 300 merchants have signed these articles of agreement, the majority being Chinese, although the list includes Europeans and Filipinos.

As the principal object in the establishment of these exchanges was to do away with the old system of barter by which the native was kept in constant debt, the value to be expected from the above agreement is readily seen.

The business transacted in the Moro exchanges in this district for the year 1905-6 is as follows: Sales, ₱298,481.36; receipts, ₱4,834; expenses, ₱2,924. The receipts are the proceeds of the tax of 1 per cent which is imposed on all sales of ₱1 in value, and which is collected by the superintendent of the exchange, the amounts being turned over to the district governor, to be deposited with the provincial treasurer to the credit of the exchange which makes the deposit. This fund is used for paying the salary of superintendents and laborers, for repairs to buildings, and for the purchase of equipment.

A detailed account of operation of the Moro exchange system appears in the report of my predecessor.

Sulu.—On July 7, 1906, Maj. H. L. Scott, Fourteenth Cavalry, who had been governor of the district of Sulu since its organization, was relieved, under oper-

ations of an order from the War Department assigning him to duty as Superintendent of the United States Military Academy, and was succeeded by Col. E. Z. Steever, Fourth Cavalry. In Major Scott the district and the province have lost a most able administrator who for three years has devoted all his energies, with the exercise of great tact and unwearied patience, in uplifting the Joloano Moros. It is greatly to be regretted that he could not remain long enough to see the full fruition of his labors.

The governor reports that the condition of the district has remained peaceful since the month of April to date. The Moro exchange recently established in Jolo has met with great success, necessitating a further extension of the buildings to accommodate increased business. The transactions for the month of July alone amounted to ₱34,507.

The importation and sale of Chinese tobacco to the Moros, under certain favorable conditions authorized by legislation of the Philippine Commission, has proved a great success in creating good feeling among the natives and in preventing smuggling. As an evidence of this good feeling it is noted that the Panglima Indanan, who is perhaps the most progressive of all the Moro chiefs, and who appears to be working in good faith for the furtherance of the government's interests, recently built a public schoolhouse and donated it to the school department without any cost to the government. Other headmen have offered to do the same as soon as we can provide them with teachers.

A long-standing feud between Panglima Indanan and Datto Joakanian has been an apparently irremovable stumbling block to progress on the island of Jolo. On August 1, 1906, there was a voluntary meeting between these two chiefs, representing, respectively, the districts of Parang and Latl, at which it is understood that they agreed to bury the feud which had existed so long between the two districts and their chiefs. Constant progress is reported as being made in the instruction of the headmen and deputy headmen, in getting disputes between followers of deputy headmen referred to their headman for settlement, and in referring disputes between followers of different headmen to the governor's office. The officials of the district complain of the excessive exportation of carabo from the island immediately after the harvesting of the crops in which the carabao are employed. The native does not look very far ahead; when the harvest is over and the animals will not be needed for some time, the carabao seems of little value and the ₱50 which may be offered for him of great value. There is no remedy for this except to instruct the native in more provident ways. A serious curtailment of the cultivation of the island next season would be a great calamity to the Moro people, as their prosperity is founded solely upon agriculture and their peace and order upon prosperity.

A suitable boat for the transportation of officials to the outlying islands of the Sulu District is very much needed. An all-essential in the development of the natives is free and constant intercourse between them and the government, and for this purpose the government must go to them.

Cotabato.—In this district the general condition of peace prevails, as has been the case ever since the death of Datto Ali in October last. An unfounded rumor that Ali was not killed but is still living somewhere in concealment caused for a time considerable unrest and uneasiness among the natives, who doubtless thought that if he were still alive there would be a renewal of armed expeditions. From time to time there have been reports that Datto Kali Pandapatan, of Buldung, and Rajahmuda Mopuk, of the Katitisan country, are disaffected toward the government. Just now no one can absolutely guarantee the future attitude of any man in this country, but in respect to these men there seems to be no foundation for the reports. Both the river and coast dattos are at peace among themselves and with the government, and their people are prosperous. The governor of the Cotabato District reports that the dattos in the vicinity of Sarangani Bay have asked that an American representative be sent to live among them.

The same peaceful conditions exist among the non-Moro tribes. The tribal ward for the Tirurays has been extended; a tribal ward for the Manobos has been established above Pikit; a tribal ward for the Bilanes, above Duluan, is under consideration. Through these tribal wards the chiefs and the people are coming more and more into contact with the government and are beginning gradually to lose their attitude of sullen suspicion.

The commerce of the district is at present largely in the hands of the Chinese. The value of exports from the port of Cotabato amounted to ₱83,600 for the past year. This is the value of the exports from the port of Cotabato alone and does

not include those from other parts of the district by way of Cagayan, nor those sent to Zamboanga from the coast towns, nor those from Tamontaka via the south branch of the Rio Grande to other districts.

Large amounts of timber are taken from the forests of this district to the sawmill at Parang and to the one in Cotabato.

The natural lines of travel through the district are by the rivers and the sea. There are good trails in the interior and excellent ponies for use on them. There is a road between Cotabato and Tamontaka which at one time was a good one, and which should be put in repair, as it is much used. An important trail in the district leads from Parang to Buldung. This has never been improved, but Datto Kali Pandapatan has agreed to put it in good order.

The Moro fair at Cotabato has already been spoken of in this report. Great credit is due the district governor and his subordinates for its success.

Davao.—This district has suffered an almost irreparable loss in the death of its governor, Lieut. E. C. Bolton, Seventeenth Infantry, who was murdered on the night of June 6, 1906, by Mungalayon, deputy headman of the Tagacaolo tribe, in whose country he was making a friendly and unarmed visit. I quote the following extract from my annual report as department commander:

"Lieutenant Bolton was a man of rare genius for the work to which he had devoted himself and in which, through a moment of overconfidence, he lost his life. This work requires indomitable physical energy combined with the unusual gifts of tact and discretion in dealing with savage people and an infinite, hopeful patience, and with it all the unflinching determination to be 'faithful unto death.' All these qualities Lieutenant Bolton possessed. He lost his life in the service of the civil government of the Moro Province, and I here quote the resolution adopted by the legislative council on the occasion of his death:

"Whereas First Lieut. Edward C. Bolton, Seventeenth Infantry, governor of the district of Davao, met his death at the hands of a jealous Tagacaola chief, on the west coast of Davao Gulf, on June 6, 1906, while courageously visiting, without escort, certain natives for the purpose of conciliating them and the American settlers on said gulf; and

"Whereas it is known to the legislative council of the Moro Province that Governor Bolton's service to the province, both as a civil official and as a soldier, has been most valuable, and that his conduct of affairs in carrying out the policy of the Government has been uniformly marked by good judgment, modesty, tact, and courage:

"Be it resolved by the legislative council of the Moro Province,

"First. That his untimely death deprives the Moro Province of a valuable public official, the Army of a brave and able soldier, and the ignorant natives whom he had so consistently labored to assist, of a stanch advocate and protector;

"Second. That the earnest sympathy of the governor of the Moro Province and the other members of the legislative council is hereby conveyed to his family and friends

"Third. That a copy of these resolutions and a copy of act No. 166 of the legislative council of the Moro Province be sent to his family, to the governor-general of the Philippine Islands, to The Military Secretary of the Army, and to the colonel of his regiment."

The news of the death of Governor Bolton reached Zamboanga on the night of June 13, seven days after it occurred. Warrants were at once sworn out, and at the request of the civil authorities were placed in the hands of the military to serve. On August 3, Mungalayon, the chief one of Governor Bolton's assassins, was found by a small detachment of the Sixth Infantry, under the immediate command of Quartermaster-Sergeant Casey. Mungalayon refused to surrender and while in armed resistance to arrest was killed. The general condition of peace and order in the district of Davao has not at any time been seriously disturbed. Since Governor Bolton's death two new plantations have been opened, and numerous intending settlers are in that district seeking desirable locations.

The notes made by Governor Bolton, and found after his death, show that there has been a marked improvement in the political condition of this district, the power of the government gradually spreading among the pagan tribes and becoming more firmly established among those living within the municipalities. The district, with its many wild tribes practically taking up the whole of its interior to within 5 miles of the seacoast, and the five municipalities scattered

along this coast, presents many civic questions which must be answered slowly and with difficulty. It has been the policy of the Government to organize the wild tribes as rapidly as possible into tribal wards. This work has been gradually extending until nearly all the tribes have been brought into more or less contact with the government. The Moros, Bagobos, Tagacaolos, Mandayas, Atas, and Gulangas have been successively organized, the first two having shown particular aptitude in grasping the ideas of government; their headmen are gradually increasing their area of influence. The other wards are practically wards only in name, as their people have not yet acquired a liking for settled life, scattered as they are over wide areas and wandering about from place to place, it is difficult for district officials to get or keep in touch with them. This organization of the wild tribes into tribal wards is a delicate matter, and is effective only when the people so organized have become somewhat acquainted with the white man and understand something of his methods of government. There are 14 tribes within the district of Davao, and in them all there is not one datto whose influence extends over any large area, nor is there any tribe which acknowledges any one man as its head. They seem to have perfect confidence in a white man and are well content to take his orders, but their tribal customs make them unwilling to have one of their own people over them. It will therefore be well to go slowly in the organization of tribal wards in the district of Davao, and to create them only as we can find men whose influence is such that they can pretty effectively control the people of the areas to be organized into wards and who can gradually carry over to these people the influence of our government. Naturally, this work proceeds slowly. It is very much hampered by lack of transportation facilities at the disposition of the district officials. There are four hundred miles of coast line to cover from Sarangani to the eighth parallel, while access to the country back from the coast is exceedingly difficult.

Great activity has been displayed throughout the district in the planting of hemp and cocoanuts. Weather conditions were not favorable to hemp in 1905, and there was also a short drought season this year, thus reducing the output per 1,000 hills; owing, however, to the greater amount of producing, the total exportation was not affected; of cocoanuts, the number of trees planted in the entire district was doubled within the year. Cacao and rubber are also being planted more or less extensively.

There are some 34 members of the Davao Planters' Association, and the latest reports show on their plantations a total of 1,001,000 hemp hills, 39,489 cocoanut trees, and 7,750 rubber trees.

The people of some of the wild tribes have taken to hemp planting and are doing a good deal of it, thus greatly increasing the probability that they will become a settled population. This is particularly true of the Bagobos, Gulangas, and Moros; the Mandayas and Tagacaolos do not take to this work very kindly, preferring to live their own wild free life. This present disinclination to steady labor on the part of the natives seriously interferes with their progress and with the material development of the district.

Lanao.—This district has made rapid strides, both in the preservation of order and in the increase of agriculture and commerce. The expenditure of the Congressional relief fund on the Iligan-Lake Lanao road has put much money in circulation, and, therefore, the province has heretofore appropriated only small amounts for other public works in this district.

Occasional acts of violence occur, but the arrest of the offenders is accomplished with little difficulty, generally through the direct or indirect aid of the Moro chiefs themselves. On June 27, 1906, a sentinel at Marahul, an outpost of Camp Keithley, was attacked by Moros a little while after midnight and very seriously cut up. In a few days the district governor, Major Griffith of the constabulary, captured the assailants, through the aid of their chief, without firing a shot. He had with him an escort of constabulary, to be supported, in case of resistance, by a detachment of the Fifteenth Infantry. The would-be assassins have been tried by a civil court and each of them sentenced to eighteen years imprisonment. The Moros of this district, in the Lake basin, have worked quite industriously in bringing in logs for the sawmill at Marahul, and they have proved of increasing value as laborers on the Iligan-Lake Lanao road.

The Moros now know that it is in violation of law to hold the government rifles that they have in their possession, and persistent pressure will be brought to bear on the chiefs to have these guns delivered up. At the same time the

district governor is making every effort to encourage them in honest and profitable ways of life. The Moro has a great desire to acquire money and to keep it, and this assists in making them respond to encouragement in the desired direction.

This district is traveled by wandering Moros of a bad character, who will make trouble anywhere. Most of the headmen or dattos are ready to give assistance in the capture of any criminal, and there is no organized resistance to the authorities in any part of the district. One of the assassins of the sergeant of Scouts killed near Overton some time since has recently been arrested on evidence given by the Moros.

The natives of this district are great travelers. Several parties of them have recently brought large quantities of brass and bronze work made in the Lake basin to the Moro exchange in Zamboanga, and one party took a supply as far as Davao for sale.

An epidemic of rinderpest broke out in Iligan in April and the secretary of the interior sent an inoculator there, while the province employed the army veterinarians at Camp Overton, and the epidemic was stamped out.

CONSTABULARY.

The constabulary continues to render most excellent service under the very efficient management of the district director, Col. W. S. Scott, captain, First U. S. Cavalry.

He is assisted by an adjutant and three supply officers, two of which are stationed at Zamboanga and one at Surigao.

The strength of this organization within the limits of the Moro Province consists of 10 companies, each consisting of 2 officers and 46 enlisted men.

With the exception of Iligan and Cotabato, the constabulary stations are remote from military posts and, therefore, the responsibility for maintaining order throughout a large part of the province has largely rested upon this organization. In the performance of this duty it has acquitted itself admirably. In cases where the civil authorities have requested the aid of the military to arrest malefactors, warrants are placed in the hands of the constabulary and the military troops go with them as support. The services of the latter are actually called upon only in the event of resistance to the constabulary which the latter can not overcome.

The constabulary officers acting as deputies to district governors perform duties as follows: Judges of tribal ward courts, deputy governors in specially assigned sections of territory, justices of the peace when so appointed by the governor-general, supervisors of municipal affairs upon request of the district governors, supervisors of councils of headmen, supervisors and managers of Moro exchanges, supervisors of municipal police, service of warrants, effecting arrests, etc.

The influence of the constabulary, when judiciously and tactfully used, is of the greatest value in aiding the progress and development of the province.

The policy of the commanding general of the department and governor of the province is, and has been in the past, to limit the use of troops to those cases where it is customary to use them in any community under civil government, and to use them only in urgent cases and upon the request of the district governors. Where troops have been utilized in maintaining order the constabulary has furnished its quota and acquitted itself most creditably, both on expeditions and in engagements with hostile Moros, receiving the commendations of commanding and other officers.

The district director recommends that a small launch be placed at the disposal of the senior inspectors of the Cotabato and Sulu districts, the former in order to further explore the country tributary to the Cotabato River and more closely supervise the people of that section, the latter for the purpose of visiting and supervising the Moro population scattered over the large number of islands in that district. It is recommended that this be supplied when the Commission feels that the necessary expense can be incurred.

On account of the peculiar character of the work devolving on the constabulary in this province, requiring them, for the purpose of supervision, to be scattered in small detachments, each of which should have an officer with it, I recommend that the full complement of officers belonging to it be maintained in this province.

THE PERSONNEL.

The following changes in the personnel of the provincial and district governments have been made during the year:

Provincial government.—Maj. Gen. Leonard Wood, U. S. Army, resigned his position as governor of the Moro Province, in order to take command of the Philippines Division, April 16, 1906.

Brig. Gen. Tasker H. Bliss appointed governor Moro Province April 16, 1906.

Dr. N. M. Saleeby resigned as superintendent of schools of the Moro Province June 30, 1906.

Capt. F. R. McCoy, Third Cavalry, aid-de-camp, resigned as provincial engineer January 31, 1906.

Capt. J. P. Jervy, Corps of Engineers, appointed provincial engineer February 1, 1906.

District of Zamboanga.—Capt. John R. Proctor, Artillery Corps, resigned as district secretary April 30, 1906.

Mr. J. M. Browne appointed district secretary May 1, 1906.

District of Sulu.—Maj. H. L. Scott, Fourteenth Cavalry, resigned as district governor July 7, 1906, to take position as superintendent of the U. S. Military Academy at West Point.

Col. E. Z. Steever, Fourth Cavalry, appointed district governor July 7, 1906.

Capt. W. R. Smedberg, Fourteenth Cavalry, resigned as district secretary October 10, 1905.

Capt. James H. Reeves, Fourteenth Cavalry, appointed district secretary October 11, 1905.

Dr. Thomas H. Davis resigned as district treasurer March 31, 1906.

Mr. H. B. Robinson appointed district treasurer April 1, 1906.

District of Lanao.—Capt. D. B. Devore, Twenty-third Infantry, resigned as district governor February 6, 1906.

Maj. E. W. Griffith, Philippine Constabulary, acting district governor from February 7 until acceptance of appointment as district governor March 10, 1906.

Mr. Allen Gard detailed as acting district secretary, in addition to other duties, March 6, 1906.

District of Cotabato.—Capt. R. O. Van Horn, Seventeenth Infantry, resigned as district governor December 31, 1905.

Maj. Charles T. Boyd, Philippine Scouts, appointed district governor January 1, 1906.

Mr. F. J. Dunleavy resigned as district secretary November 7, 1905.

Mr. L. P. Hamilton appointed district secretary December 12, 1905.

Mr. Frederick Lewis appointed assistant to the governor February 1, 1906; designation changed to assistant secretary July 1, 1906.

District of Davao.—Lieut. E. C. Bolton, Seventeenth Infantry, died June 6, 1906.

Lieut. Allen Walker, Philippine Scouts, appointed district governor July 14, 1906.

Mr. Max L. McCullough appointed assistant to the governor October 20, 1905; designation changed to assistant secretary July 1, 1906.

Very respectfully,

TASKER H. BLISS,

Brigadier-General, U. S. Army, Governor Moro Province.

The EXECUTIVE SECRETARY,

Manila, P. I.

REPORT OF THE GOVERNOR OF THE PROVINCE OF NUEVA ECIJA.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF NUEVA ECIJA,

San Isidro, July 16, 1906.

SIR: In compliance with the provisions of act No. 1044 and in conformity with the circular letter of June 9, 1906, I have the honor to forward the following report:

ADMINISTRATION AND PROGRESS OF THE PROVINCIAL GOVERNMENT.

The province of Nueva Ecija still continues to be governed by a provincial board composed of the provincial governor, the provincial treasurer, and the division superintendent of schools, the provincial secretary being secretary of the board.

The establishment of the railway line which runs through the municipalities of San Isidro, Gapan, Peñaranda, and Cabanatuan has somewhat simplified administration, but old conditions still obtain in a majority of the pueblos of the province, as they are separated by a long distance from the provincial capital and the railway, besides the roads being in a very bad state, making it impossible for the administration to be as efficient as it should in some of them.

AGRICULTURE.

The province of Nueva Ecija is preeminently an agricultural one.

Immigration to this province has assumed a remarkable phase, as is evidenced by the single case of the municipality of San Jose, which during one short week, received over a thousand immigrants, who have settled there for the purpose of availing themselves of the benefit of the land law. They have established homesteads on public lands and have started to cultivate them. The municipalities of Talavera and Bongabon are rapidly increasing in population as in the case of San Jose. In addition to this the railway has attracted a considerable number of immigrants to the pueblos of San Isidro, Gapan, Peñaranda, and Cabanatuan, a great part of whom are engaging in agriculture, while the others are taking up trade.

Immigration to this province is due to the fact that there are extensive and fertile valleys in it suitable for agricultural purposes, the cost of working which is very small, considering the unexcelled conditions of the said lands. This is a good augury for prosperity and advancement, which would find their highest development if the government were to take action in prolonging the railway line from Cabanatuan to San Jose, or if the said work were done by some private corporation. There can be no doubt that immigration will be a most important factor in the development of agriculture in this province.

The agricultural methods employed until recently were primitive and rudimentary. At present some progressive planters are using modern agricultural implements, and it is hoped that they will become more general in view of their good results. There are plowing and thrashing machines, and this government has been advised of the fact that other planters have ordered agricultural machinery.

Besides rice, though not on so large a scale, the following crops are cultivated in this province: Tobacco, sweet potatoes, yams, corn, sugar cane, red beans, sesame, and others. The cultivation of tobacco has been extended considerably since last year in the municipalities of Cabanatuan, San Isidro, Gapan, and San Antonio. The last harvest shows a large increase, it being estimated that it was the largest crop gathered in the past twelve years. The price brought by this article in the market was ₱11, on an average, for each bundle of 82 pounds cured and pressed; a portion of it was shipped to Manila and near-by pueblos on the railway line. The cultivation of the sugar cane has also increased during the last fiscal year, especially at Cabanatuan, Gapan, and other pueblos of the north.

The other agricultural products mentioned were sufficient for the necessities of provincial consumption. Rice is cultivated on a large scale in Nueva Ecija, the surplus being shipped to Manila. Mangoes, which are very abundant in this province, are also shipped to the capital of the archipelago, where they bring a high price. More than a million were sold in Manila and points along the railway line.

It can be affirmed that agriculture in this province is relatively in a flourishing condition, though the lack of work animals is somewhat noted, and it is estimated that the sowings made this year, owing to the stream of immigration into the province, will increase production 15 per cent over last year. The crop for the fiscal year is just about ordinary, but the price of rice, the principal crop cultivated in Nueva Ecija, compensated its comparative shortage, it having brought, on an average, ₱5 the cavan.

COMMERCE.

With the establishment of the railway line the commerce of this province has greatly increased; transportation has been reduced on an average of 35 per cent in the pueblos through which the line passes. With regard to those situated at a distance from it, the cost of transportation remains the same, but those near the line have now to pay a small increase in the cost of transportation, without, however, this affecting their trade with Manila and with towns on the railway.

Traffic is increasing daily, large quantities of rice and other products, such as betel nut, tobacco, lumber, etc., being shipped to the capital of the archipelago. The pueblos in the western part of Nueva Ecija, such as Licab, San Juan de Guimba, and Cuyapo, do most of their trading with Tarlac and the pueblos on the Manila and Dagupan Railroad line. In this part of the province the cost of transportation and production is the same as four years ago.

ECONOMIC AND FINANCIAL.

The economic condition of the province has improved somewhat as compared to last year, on account of the rice and tobacco crop, for though the rice crop was not above the ordinary the price it brought has compensated its relative scarcity, while the tobacco crop was abundant and the price high.

The financial condition of the province is certainly precarious when it is taken into consideration that the province still owes the government ₱36,184—₱12,000 for general expenses and ₱15,000 for the construction of a high school, in addition to ₱9,184 court fees.^a It is hoped that the province will improve in this respect next year, on account of the new assessment, considering the fact that the railway line through the municipalities of San Isidro, Gapan, Peñaranda, and Cabanatuan has increased the value of land over 100 per cent, and that a most powerful aid to the economic progress of the province is the daily increasing population.

PUBLIC INSTRUCTION.

The number of public schools in the province between June, 1905, and March, 1906, was 93—86 primary, 6 intermediate, and 1 secondary. The best standard by which to judge the interest of the people in education is the daily attendance; from this point of view it can be said that the province has made notable progress in education during the past year as compared with the year before.

The daily attendance in October, 1901, was 2,578; in the same month of 1902, 1903, 1904, and 1905 it was 4,013, 2,495, 7,896, and 7,937, respectively, and that during the month of March, 1906, was 8,056.

The number of pupils enrolled last June was 10,748. The attendance was very regular and the progress made by the students great during the fiscal year. Owing to regular attendance a good classification has been made, it being found at the end of the school year that there were 6,624 children in the first grade, 2,865 in the second, 866 in the third, 248 in the fourth, 102 in the fifth, 30 in the sixth, 13 in the seventh, and 13 in the eighth.

During the fiscal year there were 19 American teachers, 10 insular, and 116 municipal; in addition there were 80 monitors who taught for about two hours each day without compensation.

The construction of schoolhouses was not carried on with the necessary rapidity owing to the scarcity of funds. However, in some municipalities such scarcity has been supplied by donations of the people; such was the case in Licab and San José. In Licab approximately ₱600 were collected in money, not to mention contributions in kind made by the residents for the construction of the schoolhouse and the funds appropriated for that purpose by the municipality.

The people of San José have demonstrated great interest in the construction of good schoolhouses in the barrios of Abar, Puncan, Kitakita, and in the town center. Their exact cost is not known, but it is estimated at ₱6,000, nearly all donated by the inhabitants of the town.

Three excellent schoolhouses have been erected in the barrios of Cuyapó, while the municipality has spent ₱2,000 for the purchase of lumber to be used in the intermediate school under construction.

In San Juan de Guimba all of the necessary materials for the construction of a good school have been acquired, the municipality having spent ₱1,200 for lumber alone. In San Anton and Muñoz, barrios of San Juan de Guimba, two schoolhouses have been built.

Cabanatuan will complete its new municipal schoolhouse next August, at an approximate cost of ₱8,000, the majority of which was donated by the people.

San Isidro has completed two barrio schoolhouses.

In the municipalities of Bongabon and Talavera six schoolhouses are being built at present.

^a Tables showing financial conditions are on file in the War Department.

During the present school year classes in manual training of the fifth and sixth grades will be commenced at the Wright Institute.

To sum up, public instruction in this province is in a flourishing condition, thanks to the efficient efforts of the American and Filipino teachers, at whose head is Mr. T. W. Thompson—efforts which have been seconded by the inhabitants of this province who attend the schools anxious to acquire knowledge and education.

INDUSTRY.

In times past the industries of the province were but little more than rudimentary; now it can be stated that they are beginning to increase by the introduction of steam machinery along the railway line and in some pueblos of the interior. During the past fiscal year steam rice-hulling mills, which are also used as warehouses, have been established. In Cabanatuan there are two, and in Santa Rosa one, in constant operation; two more exist at Gapan, in operation, while another is in course of construction. Still another one is to be found in San Isidro; the daily capacity of all the mills is estimated at 2,000 cavans per day. In addition, another rice mill has recently been established at Allaga.

These mills have been erected partly by Filipino capital and partly by Chinese and Spanish.

For a long time past the making of hats, pocket cases, and other articles of personal and domestic use has continued to be an industry of Nueva Ecija, but its product is still insufficient for local consumption, which has to be partly supplied from Manila and the neighboring provinces. These industries have not developed with the passage of time.

FACTORIES.

There are at present two cigarette factories in this provincial capital, but their product is entirely consumed in the province, the output being small, as the manufacture is done by hand by a number of operatives.

Owing to this fact and to the coming of the railway line, the Manila tobacco factories are doing a fine business in this province.

NATURAL RESOURCES.

Forestry.—Nueva Ecija is one of the most favored provinces in the archipelago as regards forestry wealth. Its extensive forests contain the most valuable native woods in great abundance, such as molave, narra, tindalo, ipil, and others. Lumbering is somewhat difficult in the pueblos of the north on account of the lack of transportation, but in the municipalities of the west and center lumber has been taken out during the fiscal year and sold in Manila owing to the relative facility of transportation. It is estimated that the revenues to the municipality from forestry taxes have amounted to the sum of ₱4,000.

The inhabitants of this province have to a large extent availed themselves of the benefits of act No. 1407, section 8, subsection b. They have taken out lumber from state forests for the purpose of repairing and constructing their houses. Some have also taken out the necessary lumber for building warehouses, but no cutting has been made in the first group.

Mineral wealth.—During the fiscal year 19 gold mines have been entered in the mining record, 5 by Filipinos and 4 by Americans. Four of these claims are in the jurisdiction of the municipality of Penaranda and 5 in that of Gapan.

From May, 1892, to June 30, 1905, 17 mining claims were recorded, making a total of 26 lying in the municipalities mentioned.

It is known that there are iron and copper mines in the province, specially in the pueblos of the north, such as Pantabangan, Carranglan, and Bongabon, but no claims have been recorded from there with the register of mines.

CATTLE.

There was a time when the province of Nueva Ecija could count its cattle, horses, sheep, and carabaos by the thousands, but disease has reduced them to an insignificant number, though during the fiscal year cattle have increased considerably, taking into account the fact that so few were spared. It is estimated that there are now 2,000 head of cattle distributed among the municipalities of Carranglan, San Jose, Penaranda, and Pantabangan. There are no stock farms, as there are scarcely sufficient carabaos and horses for agricultural work and transportation purposes. Sheep are to be found in the pueblos of Nueva Ecija,

and during the fiscal year they have been free from all epidemic diseases. The number of head in the province is estimated at between 4,000 and 5,000.

NON-CHRISTIAN TRIBES.

There are non-Christian tribes in the following municipalities of the province: Cuyapo, Penaranda, Bongabon, Carranglan, and Pantabangan.

Cuyapo.—The social condition of the Tingulanes in Cuyapo has notably improved during the fiscal year. Of the 103 inhabitants in the settlement of Bued 89 have been converted to Christianity, the 14 others remaining pagans. The settlement has a private school, attended by children of both sexes, in charge of a Christian teacher paid by the children's parents, where lessons are given in reading and catechism in the Ilocano language. The average daily attendance is 15. The settlement has also a tribunal. The government is administered by the president of the settlement with the assistance of a vice-president and two cabezas de barangay, elected by the inhabitants to serve two years. There is also a volunteer police force. The Christian converts take out cedula and have adopted the customs of other Christian Filipinos. The women, however, both pagan and neophytes, still use their traditional ornaments, consisting of bracelets made of stones of various colors. The character of these people is peaceable and submissive. Their sole occupation is agriculture; they cultivate rice, corn, sweet potatoes, and yams. The population is increasing.

The settlement of San Marcelo, in the same municipality, has 95 inhabitants of the Tingulane tribe. Eighty-two of the population are Christians. They have no schoolhouse, but the children attend the central school at Cuoyapo and the nearest barrio school at Maycabang. They are studying English; have a tribunal, a president, vice-president, and two cabezas de barangay elected in the same manner as those of the above-mentioned settlement. All, with the exception of the pagans, take out cedulas like any other residents of the municipality. There has been absolutely no change in the population. They are engaged in agricultural pursuits, cultivating rice, corn, sweet potatoes, and yams.

Penaranda.—There are a few settlements in the hills of this municipality of Balugas or Aetas who are a peaceable folk living a primitive life. They are refractory to all ideas of progress and civilization; are engaged in fishing and hunting, while a few of the most advanced trade in rattan with the neighboring pueblos.

Bongabon.—The Aetas in this municipality constitute the only non-Christian tribe; the remarks relative to Penaranda are also applicable to these people.

Carranglan.—The mountains in the jurisdiction of this municipality are the habitat of non-Christian tribes of Igorot, Aetas, and Ilongot. The most advanced, peaceable, and industrious of their settlements is that of the Igorot who, though disliking to live in the towns, frequently come down for purposes of trade; they are engaged in agricultural pursuits, cultivating beans, coffee, rice, and cabbage, sweet potatoes, and yams; these products are sold by them in the towns or traded for clothing or articles of domestic use. The Igorots are in the habit of going to Carranglan once a month for this purpose. They are also given to hunting and fishing. The number of pagan inhabitants in the hills of the said municipality number 74.

Pantabangan.—There are four settlements in the hills of this municipality. The non-Christians here lead a nomadic life, though during certain seasons of the year they fix their residence at points not far distant from the Christian population. They follow agricultural pursuits according to the *cañgin* system, hunt, and make baskets, which they sell in the pueblo. According to their own statements, those of their number who visit the Christian towns are hated by their companions in the mountains; hence it is possible that they may permanently establish their *cañgins*. Those who have done so in a measure sell their products, consisting of yams, sweet potatoes, tobacco, plantains, and salt venison in the towns; they are never without their traditional arms, consisting of spears and bows and arrows.

Those living in the mountains are in the habit of making incursions on neighboring pueblos. They lead a purely savage life, and it is a rare thing when a year passes without cause to deplore the death of some unfortunate traveler attacked by them on the road in the most dastardly and cowardly manner.

What has been said of the Negritos or Aetas of Penaranda is applicable to those of Pantabangan.

POLITICAL CONDITIONS.

Although caciquism is still a deep-rooted institution, the political conditions of Nueva Ecija during the fiscal year have shown a tendency to improve. The

majority of the people are learning their rights, and the parasite on the social organism tends to disappear.

No disturbances of the public order have occurred, while brigandage and crime have notably diminished.

The five prisoners who escaped on March 29, 1906, have assaulted peaceable citizens on three occasions. Owing to the fact that they are residents of this province and can count upon their families for support, they have not yet been captured, in spite of the activity of the constabulary and municipal police. Five of their supporters have been captured and placed where they can do no harm. The assaults above mentioned are the only thing to deplore during the time that I have been at the head of the provincial government.

The Santa Iglesia sect deserves special mention in this report. At the head of this organization is the notorious "Apong Ipe," of evil fame.

This fanatical sect has made a good many proselytes in the outlying barrios and places near the forests of this province. It is quite possible, considering the ignorance of the inhabitants of those places, that their fear of the danger they would run in denouncing the sect to the authorities on account of the lack of police protection where they live, to a certain extent compels them to be taciturn and reserved in the presence of the authorities, and undoubtedly it is due to this fact that Apong Ipe, according to reports received confidentially by this government, has made raids on this province, though no deplorable act of his or of his proselytes has as yet been recorded. It can be said that he is generally to be found in the region bordering on Tarlac and Pampanga, which is uninhabited and thickly wooded, and which offers a safe refuge for him and his people when pursued by the government forces.

Cattle stealing, an evil which has prevailed in the Philippines since olden times, has also somewhat diminished, owing to the activity of the secret agents of the government in this province, and more especially to the efforts to suppress it on the part of the constabulary under the command of the energetic Captain Griffiths.

The sentiments of the people are for peace.

The most complete harmony exists between all of the authorities, including the military residing here.

PUBLIC SANITATION AND HYGIENE.

Up to July 1, 1906, the president of the provincial board of health and five presidents of municipal boards of health have had charge of this important public service. These men, with the help of the inhabitants of the municipalities, vaccinated 11,054 inhabitants of both sexes during the fiscal year. The necessary material was furnished by the bureau of health from Manila, 14,000 units of vaccine having been used.

From July, 1905, to April, 1906, inclusive, 4,437 births have been recorded, against 3,604 for the prior fiscal year. The number of deaths during the past ten months was 3,473, against 3,819 for the year before, according to the following table:

Month.	1904.		1905.	
	Number of deaths.	Annual average per 1,000.	Number of deaths.	Annual average per 1,000.
July.....	454	40.39	600	58.15
August.....	483	38.52	458	40.57
September.....	351	32.27	287	26.27
October.....	316	28.11	239	21.17
November.....	370	24.01	258	23.62
December.....	398	35.41	252	22.32

Month.	1905.		1906.	
	Number of deaths.	Annual average per 1,000.	Number of deaths.	Annual average per 1,000.
January.....	409	36.23	403	35.70
February.....	391	38.85	379	37.17
March.....	374	83.13	333	29.50
April.....	323	29.57	264	24.17
May.....	351	31.09		
June.....	461	42.20		

On January 6, 1906, the first case of Asiatic cholera morbus was recorded in the pueblo of Cabanatuan. The disease spread from said pueblo to Pefiaranda, Gapan, San Isidro, and Bongabon, according to the report of the president of the provincial board of health, which states that the last case in the pueblo last mentioned was not confirmed, whence it is inferred that the disease was circumscribed to the pueblos bordering on the railway line. From January to the end of March, 1906, there were 96 cases and 77 deaths, a percentage of 80.21, all Filipinos. Malaria in its various manifestations has caused the largest number of deaths. The following table shows the most common causes of deaths occurring during the ten months from July, 1905, to April, 1906, inclusive:

	Deaths.
Intermittent fever.....	549
Convulsions of children.....	441
Pulmonary tuberculosis.....	341
Smallpox.....	229
Dysentery.....	221
Eclampsia, nonpuerperal.....	190
Epidemic dysentery.....	157
Paludic cachexia.....	156
Typhoid fever.....	128

Judging from the statistics furnished by the report of the provincial board of health, the general condition of Nueva Ecija is satisfactory, in spite of the cholera epidemic which prevailed during the months of January, February, and March of this year, the comparison between this period and the year before resulting in a more satisfactory condition of the public health during the past fiscal year.

RECOMMENDATIONS.

1. If the provincial capital is transferred to the municipality of Talavera, which is the most central point in the province, it will almost surely result in the return to this province of the pueblos of Umingan, Rosales, San Quintin, and Bulangao, which now belong to Pangasinan; moreover, such transfer would also facilitate the administrative action of the provincial government.

2. It is recommended that the sum of ₱15,000, which the insular government lent the province for the construction of a school of secondary instruction, be remitted, in view of the precarious financial condition of Nueva Ecija.

Respectfully submitted.

ISAURO GABALDON,
Governor of the Province of Nueva Ecija.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF NUEVA VIZCAYA.

OFFICE OF THE GOVERNOR, PROVINCE OF NUEVA VIZCAYA,
Bayombong, P. I., August 6, 1906.

SIR: I have the honor to submit my annual report required by act No. 1044 of the Commission:

GENERAL CONDITIONS.

Conditions prevailing in the province have continued satisfactory.

We have no ladronism or brigandage to contend with, the Christian or civilized population of the province having no lawless or disloyal tendencies and being in thorough harmony with the aims and purposes of the insular and provincial governments.

Municipal elections were held in December last in each of the townships organized under act No. 1397, viz: Solano, Bayombong, Bambang, Dupax, Bagabag, and Quiangan. Each of these elections were presided over by one or more members of the provincial board; judges and clerks of election being agreed upon by the various candidates for office in the respective municipalities.

The elections were quiet and orderly, and fair, the best of feeling prevailing, which was gratifying in view of the large number of candidates for the various offices.

After the election, however, in the town of Bayombong, the provincial capital, the vote for presidente standing 254 to 222 for the two leading candidates, the election was appealed to the provincial board, which decided to order a new election in view of some alleged ante-election tactics of the partisans of the successful candidate. He, however, filed a petition for mandamus in the court of first instance, then in session, which court decided that the provincial board erred in going back of the returns and granted the writ directing the seating of the candidate shown by the returns to be elected.

Since the new municipal officials have taken their offices the municipal business has gone on satisfactorily, and it is believed the new officials will prove as efficient as the former ones.

FINANCIAL.

The following statement, furnished by Mr. C. W. Olson, acting provincial treasurer, gives in summary form the receipts and disbursements of the provincial treasurer's office during the fiscal year.

Mr. W. C. Bryant, whose efficient and painstaking work during his incumbency of the provincial treasurership during the last three years has placed that office in a high state of organization and efficiency, left for his vacation in the United States on July 18. I desire here to express my appreciation of his worth and hard labor for the good of the province.

Mr. Bryant is held in high esteem by all the people of the province and the employees of the provincial government, as shown by the hearty good wishes expressed by all at the entertainment given in his honor on the eve of his departure on his vacation leave.

Statement of receipts and expenditures for fiscal year ending June 30, 1906.

RECEIPTS.

On hand July 1, 1905.....	₱4, 130. 53
Provincial receipts:	
Cedulas	2, 700. 00
Sales of supplies	1, 421. 41
Cart tax	124. 75
Road tax.....	7, 416. 00
Refunds, errors, etc.....	79. 38
Refund, internal revenue.....	5, 485. 25
Appropriations	17, 500. 00
Total	38, 857. 32

EXPENDITURES.

Salaries, from general fund.....	₱12, 779. 44
Roads and bridges.....	11, 469. 49
Provincial government buildings.....	5, 808. 50
Miscellaneous expenses.....	4, 849. 52
Balance on hand June 30, 1906.....	3, 950. 37
Total	38, 857. 32

PUBLIC WORKS.

The enactment of the new special provincial government act (No. 1396) gave the province (in sec. 19 of the act) a much-needed road labor law, but the provision that each able-bodied inhabitant should be subject to be called upon for ten days' labor, or in lieu thereof the payment of ₱2 tax, has resulted in the Christian or civilized part of the province in the payment of the tax by practically every man subject thereto in preference to the performance of the labor.

This is not surprising when it is remembered that the prevailing rate of wages for day labor is 40 to 50 cents, with rations when the work is performed at a distance from the laborers' homes. In the Igorot country, on the other hand, practically no payments of the ₱2 tax have been made, and all the labor that

we can handle and superintend is available for the roads and trails of those portions of the province. The law provides that the labor or tax shall be performed or paid by all male inhabitants of the province of cedula age except such as are exempted therefrom by the provincial board. The only practicable course to pursue in the Igorot country is to utilize all the labor we can call out and superintend and exempt the balance of the Igorot population. It is impossible to bring the Igorot labor into other parts of the province for work. In their own part of the province a large amount of trail building and repairing has been done during the year.

In the Christian portion of the province, on the highway, 13 miles in length, between Solano and Bagabag, some good permanent work has been done, and a road from Bayombong to the Barrio de la Torre, or Piddig, graded and graveled, and much repairing and bridge work done on the main highway through the province, which, extending from San Nicolas, Pangasinan, to Cordon, Isabela, is over 100 miles in length. On account of the length of this road, which taxes severely the resources of the province to keep it in good repair, much temporary work has had to be done in the way of wooden bridges and culverts, which should be of permanent masonry construction.

Under the new labor law in future bridges and culverts can gradually be renewed with others of more lasting construction. During the past year most of the funds derived from this law have been applied to the construction of the new provincial building.

It is now 90 per cent completed and will cost when completed about ₱14,500, of which ₱5,000 has been appropriated by the insular government, the balance from provincial funds. We shall have when this building is completed a building of which the province may well be proud. It will house the post and telegraph office, provincial treasurer's, school superintendent's, senior inspector's, clerk of court's, and governor-supervisor's offices, as well as provide a commodious court room for the court of first instance, which will be available for public gatherings, for which no public hall now exists in the province. The building has been built of native timber gotten out by hand and of brick and tile burned in Bayombong. During the coming year a high school building to cost ₱6,000 is to be built in Bayombong, and with the aid of a saw-mill now being constructed by Americans resident in Bayombong, the work of construction will be faster and cheaper than has been possible with handsaw and hewed timber.

With the completion of the provincial government building all the proceeds of the tax for "Roads and other public works" will be available during the coming year to put in good condition the main highway of travel and communication through the province from the Pangasinan to the Isabela line before referred to. Over this road is now being reconstructed our section of the telegraph line from Manila to Aparri. This line formerly crossed the Caraballo Range over the old trail from San Jose, Nueva Ecija, which is now disused, or nearly so, in favor of the Padra Juan Villaverde trail.

While the new telegraph line is being constructed it will be possible at a very trifling additional expense to complete a telephone line connecting every township and the three constabulary posts of the province, using the poles of the new line and the wire of the old line now being abandoned which will be useless for any other purpose.

The construction of this extension of our telephone system has been asked for, and in view of the very small expense involved and the great utility and convenience of the proposed line it is earnestly hoped that its construction will be approved.

The proposed extension will be as follows: Bayombong to Bambang, 9 miles; Bambang to Aritao, 8 miles; Aritao to Dupax, 5 miles. At present we have a line 47 miles in length from the provincial capital to Banaue in the heart of the Igorot country and connecting the following intermediate points: Bayombong, Solano, Bagabag, Payauan, Qulangan, and Banaue.

We have now a regular weekly mail service, very seldom behind schedule time, from Manila to Bayombong in four days. If the mail for the upper portion of the Cagayan-Isabela Valley could be carried over this route it would reach Ilagan, Isabela, in good weather in seven or eight days from Manila, whereas now mail is received in Ilagan in from three to six weeks. At present, in the rainy season, the road between this province and Ilagan is almost impassable in parts, but during the coming year with cooperation between the two provinces in the matter of improving the common highway the road can,

I believe, be made good in all weathers and a regular mail route overland will then be a great benefit to Isabela and the expense to the postal department no greater than at present.

HEALTH AND SANITATION.

The Philippines constabulary maintain a hospital in Bayombong, of which Dr. W. A. Robison, first lieutenant and medical inspector, has charge. As the constabulary force has been cut from 196 to 92 men in the last two years, and the constabulary posts are so distant from the headquarters at Bayombong the hospital reports do not show many patients. This fact led the constabulary authorities some months since to consider discontinuing the hospital and withdrawing the medical officer.

It was, however, brought to their attention that Doctor Robinson, as acting president of the board of health (without compensation), has done a large amount of provincial work and is the only medical man within four days' journey of Bayombong.

There is not only not a doctor, but not even a druggist or practicante, American or native, in the province, and if a physician were not stationed here the employees of the government would be entirely without medical attendance in cases of emergency.

As an example of the necessity for a doctor in the province, I will cite the occurrence of an outbreak of smallpox which occurred in June among a company of immigrants from Ilocos Sur. Just after their arrival in Bayombong Doctor Robinson was called to see a sick child, whom he found suffering from smallpox, and he at once removed the entire company of immigrants to a quarantine camp in a sufficiently remote place and the outbreak was confined to six cases and one death, all among the immigrants, who were all kept in quarantine until all danger of further spread of the disease was past.

This is the only outbreak of smallpox in the last two years, due to the good work of our present and former health officers.

Owing to the remote situation of the province it will be necessary to keep a medical officer stationed here.

It seems to me to be advisable and economical to combine the provincial and constabulary medical work, as is done at present.

LAND TENURES.

At the date of my last report the operation of no part of the public-land act had been extended to this province. The Commission has since, however, provided that Chapter IV, relating to free patents to native settlers, should apply here, and I have just received telegraphic notice that all of the land act will hereafter apply in those portions of the province not included within the limits of the former commandancias of Quiangan and Binatangan.

From the way in which the people have taken advantage of Chapter IV (130 applications having been filed in the last six weeks) I am encouraged to believe that the other sections of the act, especially the one relating to homesteads, will be taken advantage of when they come to be understood. The part of the province which has been placed under the operation of the act is the broad and fertile Magat River Valley, nearly every foot of which can be irrigated with very little trouble, and of which only a small fraction is now under cultivation.

It has been brought to my attention that in certain cases intending settlers have been prevented from settling on desirable lands by certain "principales," who informed them that they claimed the land, as it had been worked in times past by their (the "principales'") ancestors. I propose to begin a campaign of education by visiting barrio schoolhouses and giving instruction to the barrio people, who can seldom read and write and are easily imposed upon by the "principales," as to their rights to take up land and to send for their friends from other provinces who wish to settle here and take up land that is not and has not been continuously under cultivation.

Our northern Igorot country, which the Commission has wisely excepted from the operation of the land act, is densely populated (the official census figures of some 62,000 population being now known to be far below the true number of Igorots). The Igorots hold their lands under a most interesting body of customary or tribal law, as to which there is seldom any dispute when an estate comes to be divided. In fact the Igorot customary law in regard to land tenure and water rights would well repay expert study.

In Igorot cases, when sitting as justice of the peace, I have sometimes called in old men to sit with the court as assessors (having somewhat of the functions of a jury in a court of chancery, their verdict being merely advisory), and have been surprised at the justness and correctness of their decisions.

MUNICIPAL POLICE.

The municipal police of the province have proved to be very faithful and efficient.

Constant vigilance is used to see that they are not used as servants of municipal officials, and they have done good work during the year.

Their number has had to be reduced in all of the towns consequent on the loss of half the revenue from the cedula tax.

NONCHRISTIAN TRIBES.

The province may be roughly divided into three zones, the most northerly being the Igorot country, which was formerly the politico military comandancia of Qulangan.

There is scarcely an acre of level land in the whole district, which I estimate is populated by nearly or quite 100,000 Igorots.

The second "zone" is the broad belt of level and fertile valley land which has been thrown open by the Commission for settlement.

Separated from this valley by a range of mountains in the third "zone" which, with a part of the former province of Principe, formed the comandancia of Binatangan.

The second "zone" contains the Christian or civilized population of the province, and the third, which contains some fertile valleys which are, however, nearly inaccessible, is inhabited, though very sparsely, by the Ibelaos.

The Ibelaos number less than 1,000 in the whole province and are believed to be decreasing in numbers.

The need for constabulary troops in the province is confined to the first of these "zones" with a small detachment at Bayombong to guard against possible attacks or depredations by Igorots or Ibelaos upon the Christian towns.

The constabulary has done splendid work among the Igorots in the past year with its present excessively inadequate force, which has been reduced to the lowest limit of safety and is only able to garrison the chain of three posts, viz, Payauan, Quiangan, and Banaue. At least twice the number of men should be given us and at least three more posts established.

Lieutenant Case, of the constabulary, who is now on leave in the United States, has done a remarkable work in the Igorot country and his successor in command at Banaue, Lieutenant Gailman, is retaining the confidence and respect of the Igorots in a highly praiseworthy manner.

"TOWNSHIP AND SETTLEMENT FUND."

That part of the refund of internal revenue to provinces corresponding to the non-Christian or wild population in provinces organized, as this one is, under act No. 1396 has been set aside as a special fund to be expended for the benefit of the non-Christians on appropriation by the provincial board with the approval first had of the Secretary of the Interior.

There have been appropriated of this fund ₱1,200 for an industrial school and teacher's quarters at Banaue, now in course of construction by Mr. H. O. Beyer, the industrial teacher stationed there; ₱1,500 for a similar school and teacher's quarters at Quiangan and the salary of an American road foreman for road and trail work. Nearly ₱6,000 has now accumulated in this fund, and the provincial board are considering the establishing of a uniformed Igorot police force and the building of a water-power sawmill on the slope of the Polis Mountain for the benefit of the Igorots in connection with the industrial work at Banaue.

It is believed that if the Igorots could get out planks at the mill by their own labor they could be induced to build houses of a better class than they now inhabit, following the plan of a model house to be constructed, say, at Banaue.

As an inducement the necessary tools would be lent them and the nails given them for constructing such houses.

These plans are only tentative at present, but will be taken up with the Secretary of the Interior when they are more carefully considered and matured.

Mr. Beyer, industrial teacher at Banaue, is accomplishing a great work there, working under difficulties.

He is himself building with Igorot labor the buildings to be occupied by his school. They are of brick and stone, the lime for mortar having to be packed by cargadores for 13 miles over a mountain trail, there being no limestone nearer to Banaue.

A report on education in general in the province, kindly furnished the writer by Mr. Norman G. Conner, superintendent of schools, is appended, marked "Exhibit A."

Very respectfully,

LOUIS G. KNIGHT,
Governor of Nueva Vizcaya.

The GOVERNOR-GENERAL, Manila, P. I.

EXHIBIT A.

BUREAU OF EDUCATION, DIVISION OF NUEVA VIZCAYA,
OFFICE OF THE DIVISION SUPERINTENDENT OF SCHOOLS,
Bayombong, August 1, 1906.

SIR: In answer to your request for information as to the schools of this province, to be embodied in your annual report, I have the honor to render the following very brief account of the same:

The school year 1905-6 saw a greater enrollment and a better percentage of attendance than ever has been had since the schools were opened in 1901. The number of American teachers throughout the year has not been sufficient to give the best results obtainable, but the year was successful on the whole.

During the year an appropriation of ₱5,500, from the funds set aside by act No. 1275, has been granted this province by the director of education. As you know, the delays caused by waiting for plans and by the difficulty of getting a title to the land on which it is supposed to build the provincial school have prevented the starting of work, but before the next six weeks the building will be under way.

Some of the towns have been unable to meet their obligations in the matter of teachers' salaries on time, but all will have paid off all their debts before the end of this calendar year with the possible exception of Bagabag. In three municipalities—Bayombong, Dupax, and Bagabag—we shall have to reduce the number of teachers in order to avoid a deficit, but this will make necessary the turning away of but a few pupils, as aspirants can be used in place of salaried teachers. With the direct cause of the reduction of the municipal incomes—the suppression, by order of the General Government, of certain taxes paid voluntarily by the people—you are already familiar.

I inclose herewith statements of attendance for March and June, 1906, number of teachers for the same months, a statement of school finances, and a statement of school buildings.^a

In conclusion I desire to express to you, both officially and personally, my thanks for your hearty cooperation with the school work, especially in the matter of appropriations for the Igorot industrial schools. Before the year is out I hope to show that this is money well spent.

Very respectfully,

(Signed) NORMAN G. CONNER,
Division Superintendent, Nueva Vizcaya.

Hon. LOUIS G. KNIGHT,
Provincial Governor, Bayombong, Nueva Vizcaya.

^a These statements are on file in the War Department.

REPORT OF THE GOVERNOR OF THE PROVINCE OF OCCIDENTAL NEGROS.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF OCCIDENTAL NEGROS,
Bacolod, July 15, 1906.

SIR: In compliance with the provisions of section 1 of act No. 1044, I have the honor to forward to you the following report:

AGRICULTURE.

Agriculture, the principal source of the wealth of this province, is at present in a deplorable condition, and it is feared that it will suffer further decline if the government does not extend to it its most decided protection.

Five powerful evils afflict it: Lack of work animals, lack of credit, low prices of sugar, locusts, and deficient labor.

Lack of cattle.—The epidemic among cattle has been gradually decreasing their number at the rate of almost 35 per cent a year, the mortality continuing to date in some pueblos, this being the cause of the abandonment of some plantations and of the fact that the majority of them are but half cultivated.

To cure the disease and avoid its spread, several veterinarians were sent to this province by the insular government, and the provincial board passed an ordinance making double or simultaneous inoculation of blood and serum compulsory as regards work cattle under penalty of a fine. The veterinarians carried out the provisions of the said ordinance to the letter, making the simultaneous inoculation; but this system, though giving good results with a few cattle, failed to do so in the majority of cases, the cattle dying shortly after inoculation. This has given rise to a great many complaints, for which reason the provincial board was obliged to discontinue the enforcement of the ordinance mentioned.

Never before has there been such scarcity of money. Commercial houses have refused to open new credit accounts and have withdrawn the majority of the old credits, while the few of their old customers to whom credit is still extended are unable to get sufficient money to more than carry on one-half of their agricultural labors. On the other hand, many money lenders lack confidence in the future of agriculture and refuse to make advances upon the very best security, foregoing the most alluring rates of interest.

Lack of capital is as a general rule responsible for the precarious condition of the planters personally and also for that of their plantations, which, where they have not already become the property of the provincial government or of the municipalities, are in danger of being sold at auction for nonpayment of taxes, as further on will be seen in the part of this report dealing with economic conditions.

Prices of sugar.—The price of this saccharine product during the last season in the market of Iloilo, where the sugar crop of this province is sold, did not at any time rise above ₱4.50 per picul for No. 1. At present this grade is quoted at only ₱4.12, No. 2 at ₱3.87, No. 3 at ₱3.72, and current at ₱2.72. With such prices it is impossible for the planter to make anything to tide him over until the next harvest, and it is due to this fact and to the lack of credit that the crops now in the ground are relatively few and poorly cared for, notwithstanding favorable weather conditions.

Locusts.—A few weeks prior to my induction into office, which took place on the 8th of last May, great swarms of locusts appeared in the northern and southern parts of the province, laying their eggs in nearly all of the pueblos.

Both locusts and grasshoppers are now damaging sugar plantations and totally destroying many fields of corn and rice.

Upon my motion the provincial board has taken action for the extermination of so malignant a plague by declaring in force the regulations for the extermination of locusts and grasshoppers, approved August, 1903, in conformity with existing legislation relative to the matter and especially with act No. 834.

It is feared, however, that the said measure will not give the desired result owing to the receipt by this government of a telegram from the executive secretary suggesting that the board desist from enforcing act No. 834, on account of the insular treasury not having funds available for the destruction of locusts and grasshoppers.

Labor.—A question long standing which directly affects the condition of agriculture and which is becoming daily more serious and the subject of bitter

complaint on the part of the planters is the question of labor, or rather of field hands on plantations.

Since the cessation of Spanish rule field hands have acquired the habit of escaping from one plantation to another, and this habit has become so deep rooted that it now constitutes a vicious calamity, owing to the individual liberty enjoyed by the inhabitants of these islands under the protection of the liberal constitutional act.

No planter can be sure of duly carrying out any proposed improvement to his plantation or to obtain a fixed number of piculs of sugar from same, owing to the lack of stability as regards the labor of field hands. They work when they please, and when the whim seizes them take French leave, deserting the planter when the work has either been just commenced or is but half done, leaving behind them an account or debt for sums advanced relatively enormous. They never start to work without securing an advance from the planter on account, and owing to the lack of hands the planter is obliged to yield to such impositions.

In order to correct so great an evil several planters have started a movement having for its purpose the regulation of plantation labor, of the relations between the planters and laborers, and the fixing of mutual rights and obligations, as a consequence of which several plans have been proposed and presented to the proper authorities for approval; but unfortunately the planters have not been able to make themselves heard nor to satisfy their desires.

It is expected that the labor problem will become much more complicated and harmful to the interests of the planters as soon as the railway companies begin work in this province, for it is feared and believed that the construction companies in order to finish their contracts within specified time will compete with the planters and pay such high wages that it will be impossible for the latter to meet the competition.

Such being the calamities afflicting agriculture, with which the planters must necessarily and desperately contend, it can not be hoped to bring about an improvement of agricultural conditions by their unaided efforts or without the decided protection of the government.

It therefore becomes necessary for the insular government to exert itself on behalf of the islands for the enactment of legislation which shall free from customs duties agricultural machinery and implements; which shall encourage the establishment of agricultural and mortgage banks, and which shall reduce or abolish the Dingley tariff on sugar. It would also be advisable for the Philippine Commission to appropriate insular money for the extermination of locusts and grasshoppers and to enact a law regulating plantation labor.

COMMERCE.

The commerce of the province is fairly large and is monopolized, with rare exceptions, by the Chinese. The latter are forbearing and on account of their sobriety and economy are able to keep the trade of the province and do a good business. Very few of the natives engage in trade owing to the small profits made on account of having such formidable competitors as the Chinese, and also on account of insufficient capital successfully to maintain such hard competition.

INDUSTRIES.

Some industries on a small scale exist in this province, such as silk, hemp, pineapple, and other well-known textiles; fisheries, the distillation of tuba, copra, manufacture of straw hats and hemp manufactures, as well as those of rattan and cane. All of these industries are of such small importance that their product is scarcely sufficient to meet the demand in the locality.

ECONOMIC CONDITIONS.

Speaking generally, the present condition does not show signs of improvement; on the contrary it is worse than five years ago. The lack of development in industry, the monopoly of commerce by the Chinese, and more especially, the deplorable condition of agriculture due to the causes already mentioned of lack of work cattle, want of credit, locusts, etc., have aggravated the economic condition of the province.

The following table furnished by the provincial treasury showing the amount of delinquent land taxes to date, corresponding to the years 1902, 1903, 1904, and 1905, plainly shows the sad picture presented by the economic condition of the province.

Amount of land tax remaining unpaid for 1902, 1903, 1904, and 1905 in the province of Occidental Negros.

Town.	1902.	1903.	1904.	1905.	Total.
Bacolod	₱215.21	₱239.58	₱941.70	₱1,793.77	₱3,240.26
Bago	800.82	2,298.50	3,176.70	6,762.38	13,038.40
Binalbagan.....	3.55	8.66	669.78	310.82	987.81
Cadiz.....	85.88	604.28	1,918.28	3,129.48	5,737.66
Cauayan.....	92.70	486.32	257.14	446.26	1,282.42
Escalante.....	158.54	269.06	360.50	438.62	1,226.72
Hinigaran.....	255.70	549.98	962.22	1,186.40	2,954.30
Himamaylan.....	165.77	201.11	272.66	526.88	1,166.42
Ilog	1,944.12	1,458.14	2,522.06	3,490.40	9,214.72
Isabela	805.65	1,178.06	1,838.76	2,538.71	6,361.18
La Carlota.....	147.15	449.23	1,848.74	2,934.73	5,379.85
Manapla.....	145.20	734.96	1,128.56	2,597.54	4,606.26
Murcia	208.41	320.63	470.31	701.68	1,701.03
Pontevedra.....	392.91	667.20	1,046.33	1,091.56	3,098.00
Sagay.....	229.74	721.94	1,595.01	1,912.72	4,459.41
San Carlos.....	23.88	53.50	79.72	336.60	493.70
Saravia.....	978.31	1,533.86	3,040.30	3,327.00	8,879.47
Silay.....	261.26	2,973.32	4,426.38	4,951.67	12,612.63
Talisay	134.33	284.80	783.88	1,338.14	2,541.15
Valladolid.....	35.58	76.26	225.57	303.80	641.21
Victorias	46.29	340.40	1,394.14	2,856.90	4,637.73
Total	7,131.00	15,494.79	28,958.74	42,975.56	94,259.83

In order to banish so ominous a condition efforts have been made in this province to establish an agricultural bank either with Filipino or foreign capital, but such efforts have not given the desired result.

About the end of last June when news was received that the Congress of the United States was considering a bill relative to the establishment of an agricultural bank in the Philippines, I invited the prominent inhabitants of the province to a mass meeting for the purpose of supporting the said bill. As a result of the said meeting a resolution was passed to forward a memorial to the governor-general of the Philippine Islands, for transmission to the President and Congress of the United States, expressing the desires of the said inhabitants in the premises.

PUBLIC INSTRUCTION.

Education is giving the very best results, and it can almost be stated that it is the service best attended to by the government and best received by the people.

As regards the present attendance at the public schools, though it has not reached the desired number in this province, little is lacking to complete it, and it is certain that within four or five months the attendance will exceed that desired. The following table shows clearly the improvement in attendance. It was furnished by the division superintendent of education.

Table showing total attendance in March each year since 1902.

Date.	Attendance desired.	Total attendance.
March, 1902	16,843	2,507
March, 1903	16,843	5,515
March, 1904	16,843	7,923
March, 1905	16,843	11,983
March, 1906	16,843	15,141

In response to the private initiative of the members of the provincial board, and availing themselves of the opportunity offered by the government, the municipalities and inhabitants of this province are endeavoring to get together a sufficient amount for the erection of a new school of arts and trades to complete the present system of education. Theatrical shows have been organized in some of the pueblos with such end in view and many residents have promised to make donations of money, a large part of the latter having already fulfilled

their promises, so that the amount on hand at present collected is ₱5,000. In addition to this all of the municipalities of the province have made appropriations from their general funds of considerable amounts for the same purpose, the total reaching the sum of ₱9,350. This added to the ₱5,000 collected from donations makes a grand total of ₱14,350.

The provincial board, in view of these figures and of the additional sum that can be collected from the inhabitants who have not yet completed their donations, announced to the public that the establishment of a school of arts and trades in this province was a certainty, and therefore reported the matter to the proper authorities at Manila, requesting that a plan be furnished for the said building. But when everything was considered fully arranged and all were pleased with the firm conviction that the manual-training school would soon be built, an opinion of the attorney-general, declaring the donations made by the municipalities of sums from their general funds illegal, came as a disappointment to all of their hopes, and for that reason the provincial board has suspended all action directed to the accomplishment of the end described.

In order to obviate the difficulty the provincial board resolved to petition the Philippine Commission for the enactment of a law authorizing municipalities to appropriate a part of their general funds, when they so see fit, toward the construction of provincial schools.

As regards the plan to construct the Rizal Institute, the news from the bureau of education relative to the allowance of the bond in favor of the provincial government subscribed by the inhabitants to assure the ownership of the land where the said normal school is to be built was received with satisfaction in this province. It is therefore expected that work upon same will begin in a few days and that the provincial government will soon be relieved of the burden of having to pay as rent the sum of ₱190 a month.

The facts that the number of municipal school-teachers has recently had to be increased 15 per cent over last year's number; that many private citizens, especially on plantations, have erected schoolhouses at their own expense; that the municipalities have appropriated money from their general funds for the construction of many schoolhouses, and finally, that some presidents and municipal officials have renounced their salaries in favor of education, are also worthy of mention in this part of my report.

There is a strong desire on the part of the inhabitants of this province to have the school of agriculture established as soon as possible, in accordance with the law enacted for that purpose.

PUBLIC WORKS.

The general roads and bridges have always been the subject of complaint on the part of the public, and these complaints have always found an echo in the authorities called upon to correct the evil, but in view of the lack of funds the latter have been compelled to lower their heads and shrug their shoulders.

Speaking generally, the roads are in bad condition and there are regions in the province where they have entirely disappeared. The same thing is true with regard to bridges; some are falling down while others no longer exist.

Since the provincial act was made applicable to this province, scarcely 22 kilometers of road have been conscientiously built. The said road runs from the pueblo of Silay to the barrio of Sumag in the jurisdiction of Bacolod; it and some 18 bridges, large and small, and about as many culverts, have cost nearly all the funds collected during four years which have been apportioned for roads and bridges.

Formerly public works were constructed administratively, but in view of the fact that this system is very costly and impractical, the provincial board, upon motion of the present provincial treasurer, Mr. Reis, has been compelled to change it and let the work out by contract. The latter system is giving good results.

In order to improve the bad condition of roads and bridges to a certain extent and satisfy the municipalities, the provincial board during its last tour of inspection of the latter made an appropriation, in no instance of more than ₱1,500, for each municipality. This measure was received with gratitude and satisfaction by the said municipalities, not only because during the time which has transpired since the provincial act was made applicable to this province they have never participated in the provincial funds for roads

and bridges, but also because, with the amount appropriated in each municipality, ditches can be dug and ruts filled up in such manner as to make the roads passable. Some of the pueblos have already started work and all others will follow as soon as the dry season sets in.

In some municipalities, such as Silay, Saravia, and Manapla, property owners and planters, who are greatly interested in putting the roads and bridges in good condition, have offered money contributions to swell the amount appropriated by the provincial board, and it is hoped that this voluntary cooperation will greatly aid in securing the desired end. I am at present endeavoring to have the residents of other municipalities imitate the example of those of the three municipalities mentioned, and I am assured that they will do so.

The presidents at their last convention held June 5, passed a resolution in favor of the enforcement of the road law in this province for a period of two years.

FINANCIAL.

On October 20, 1905, when Mr. Julius S. Reis took charge of the provincial treasury, the following balances were found to be on hand:

PURPOSE.

General funds.....	₱10,138.27
Road and bridge fund.....	8,297.18
Congressional relief fund.....	781.52
High school fund.....	18,127.23
Municipal funds.....	25,656.63
Total	63,000.83

The trial balance made June 30, 1906, gave the following figures:

PURPOSE.

General funds.....	₱43,436.71
Road and bridge fund.....	19,020.39
Congressional relief fund.....	915.52
High school fund.....	32,521.58
Municipal funds.....	45,862.91
Total	141,757.11
Delinquent land taxes	94,259.83

The following expenditures were made from October 21, 1905, to June 30, 1906:

PURPOSE.

General funds.....	₱48,446.34
General funds: Debt of the province which has been paid during the time that Mr. Reis has been provincial treasurer.....	22,000.00
Road and bridge fund.....	6,899.05
Congressional relief fund.....	22.00
Total	77,367.39

PUBLIC ORDER.

The province enjoys relative tranquillity. The babaylanes who formerly were wont to disturb the public order have decreased in number and are scattered through the mountain fastnesses, it being now nearly four months since they have left their places of refuge to commit depredations in the plantations and towns. The constabulary, aided when necessary by the municipal police, keep the babaylanes in constant check, the latter being compelled to scatter without the possibility of again forming themselves into large groups.

Occasionally there are cases of assault and of robbery in various pueblos, committed generally by cattle thieves. Such crimes occur every year, especially after the harvesting and grinding of cane, when many field hands are out of work.

MUNICIPAL POLICE.

Some of the cases of assault might be avoided if the municipal police were even fairly well armed, for there is no doubt that if the police were able to inspire cattle thieves with fear and caution, on account of their being provided with arms capable of inflicting injury upon them, the latter would be careful about not committing as many misdeeds as opportunity offers.

The municipal police are armed with billies, Remington rifles in bad condition, and in the majority of instances with shotguns that as a general rule fail to discharge or are incapable of inflicting harm when they do discharge unless fired at very close range.

It is therefore indispensable, if it is the desire to suppress or prevent disorders, assaults, and robberies, that the police be armed at least fairly well.

I am the first to acknowledge that the municipal police force is made up of members who leave much to be desired and that it does not fulfill the purposes of the organization, and for that reason can only inspire mistrust. But when the means can be furnished of making said corps respond to the purposes of its organization so that instead of being a source of worry and apprehension it may become one in which we place our trust and confidence, no just reason can be assigned for failure to provide said means.

The provincial government has petitioned the governor-general for his approval of the plan of having the municipal police force under the control of the senior inspector of constabulary and the inspection of the provincial governor, in accordance with act No. 781. The governor-general gave the necessary authority, and though the said control has not yet been made effective owing to the systematic opposition of many municipalities, I am endeavoring to convince them of the value of such a measure and believe that the said control will soon be absolutely in effect.

Act No. 781 having been adopted, there is no reason for refusing the municipal police at least fair armament.

POLITICAL ASPECT.

The late municipal and provincial elections have resulted in utter disagreements between members of the directing class, who have split up into factions. The tenaciousness and activity displayed by these separate factions during the electoral struggle gave rise to protests on the part of the defeated opposition, not only against the results of the municipal elections, but also against that of the provincial election.

These factions descended to personalities, the disastrous effect of which is felt by the people, and unfortunately the court of first instance, the provincial board, the columns of the local press, and the central government and departments at Manila were the scenes where the turbulent passions of these factions were let loose.

In this province it can be clearly seen that the man at the top, instead of being supported in his efforts to achieve the general welfare, is pulled down by those below him in such manner that those who do the pulling are wont to so conceal their actions as to bring the penalty for them to bear upon those whose actions are open and aboveboard, and who generally are innocent of any wrongdoing.

I have many times endeavored as governor of the province to put a stop to these contentions, either by attempting to bring the different factions together or by granting them equal participation in the administration where private citizens are permitted to intervene; but my attempts have not brought forth the desired result, and my action has been taken as an evidence of weakness and cowardice.

I hope, however, that in the course of time these factions will disappear, having confidence in the good sense of the persons militating therein.

As regards the official relations of the Americans holding office in the province with the Filipinos they are cordial, and the said officials are courteous, polite, and attentive to their duties. The same thing can be said with regard to the relations between public officials and employees amongst themselves; they mutually aid one another and work together for the common good.

With regard to the municipalities, they have, as a general rule, a good administration, and do everything possible to aid the provincial government.

Respectfully submitted,

MANUEL LOPEZ,
Governor of the Province of Occidental Negros.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF ORIENTAL NEGROS.

[Translation.]

OFFICE OF THE GOVERNOR,
PROVINCE OF ORIENTAL NEGROS,
Dumaguete, July 1, 1906.

SIR: I have the honor to submit my annual report for the fiscal year ending June 30, 1906.

The general conditions of the province during the fiscal year were satisfactory from a moral and economic standpoint, as there was the most absolute tranquillity in all of the pueblos of the province, while the economic existence of the provincial treasury and municipal treasuries have been more prosperous and encouraging day by day.

Pursuant to the circular letter of the executive secretary dated June 9, 1906, I submit the following information and considerations with regard to the subjects indicated.

ECONOMICS AND FINANCE.

The financial condition of the provincial treasury is at present in all ways satisfactory. According to the last balance made June 30, the provincial treasury had on hand the sum of ₱60,020.25, being almost triple the figures shown by the balance taken June 30, 1905, which were ₱21,145.29.

The said sum of ₱60,020.25 now in the provincial treasury was collected during the period between July 1, 1905, and June 30, 1906, for the following account:

Personal cedulas	₱22, 785. 50
Internal-revenue refund.....	20, 901. 62
Land tax	16, 333. 13
Total.....	60, 020. 25

The economic and financial condition of the municipalities has changed remarkably for the better, affording more opportunity for the municipalities to comply with their obligations.

Such a favorable result is due principally, if not solely, to receipts from internal revenues, a tax which, though received at first with certain apprehension by the taxpayers, who considered it as an additional impost on top of the cedula and land taxes, is to-day regarded in the light of the benefits it brings, for, thanks to it, the municipalities are enabled to carry on their functions with more regularity and to realize improvements formerly of doubtful achievement on account of lack of funds.

Such commendable benefits can not be expected from the land tax, many property owners being delinquent.

This is due to no cause other than the precarious condition of our agriculture, as a result of which the majority of property owners have their lands uncultivated, owing to lack of funds and of banking institutions, which might remedy the present paralysis in agriculture.

PUBLIC INSTRUCTION.

Education as conducted in the public schools of the government has improved remarkably as regards the number of students daily attending said schools.

The daily average attendance, according to the report for the year before this, was only 4,086, while during the past school year it has reached 7,625, as can be seen from the following table corresponding to the month of March of this year.*

From the said table it can be seen that the number of students attending the public schools has increased as compared with the fiscal year before this. On the other hand, it shows a sad and painful fact to record in this report.

I refer to the closing of the public school in the municipality of Luzuriaga, which took place in August, 1905. It is unnecessary for me to enter into explanations of the causes which principally gave rise to that measure, as the government is fully informed in the matter.

* This table is on file in the War Department.

So far I have dealt with official education only. That furnished the people by the Silliman Institute, established in this provincial capital, of which my predecessor spoke at length in his annual report, is a valuable addition to educational facilities provided by the government.

It is my duty here only to mention that the number of students enrolled on the 30th of last June in the said institution showed a considerable increase.

At present said institute has a well-equipped machine shop, carpenter shop, blacksmith shop, iron-working shop, etc., where a large number of young people are instructed and who, for the lack of a school of arts and trades, can there acquire practical education of great value to them in the future. The said shops are provided with an 18-horsepower engine and motor.

Lastly, it is my duty to report that work has recently commenced on the construction of a special building for a public school to cost ₱26,000.

From all of the above it can be inferred with regard to the important service of public education what the eloquent figures given prove, namely, that the intellectual development of our young people is daily increasing.

INDUSTRIES AND MANUFACTURES.

Industries.—This province is essentially an agricultural one and its wealth is due to the cultivation of the land. It is therefore not at all surprising that its industries and manufactures are scarcely known.

The products of nature, assisted by the hand of man, constitute its principal source of wealth, there being no factories or industries to transform the raw material to manufactured products.

However, it is proper to record here that the only industry in this province is the manufacture of sacks for sugar, said industry being carried on upon quite a large scale in the pueblos of Ayuquitan and Tanjay.

These two pueblos manufacture a sufficient number of sacks to provide the demand in all of the sugar-producing pueblos of this province and to make considerable shipments to Cebu and Iloilo.

It is estimated that this industry brings in between ₱28,000 and ₱30,000 per year in net profits.

Manufactures.—If industry is a department of wealth almost unknown here, there is nothing surprising in finding that there is scarcely any manufacturing done. The only thing worth mentioning in this line is a small nipa distillery in the pueblo of Tanjay.

In Dumaguete there are a few Chinese merchants engaged in the manufacture of common soap, but their product is only sufficient to supply the province.

NATURAL RESOURCES.

This province has natural resources like many others in the archipelago, though they are not developed as they should be, owing to the lack of machinery and instruments which would aid in their development. Among the principal natural resources in the nature of forestry products, timber and rattan deserve mention. The pueblos of the province most favored in this respect are Guihulngan, Tolon, Tanjay, and Bals. The wealth of the latter pueblo consists mainly, as regards forestry products, in rattan.

The amount of timber cut and utilized in the province can be estimated at about 14,210 cubic meters. All of it has been used in the construction of buildings in the province, none of it having been exported. The same thing is not true, however, with regard to rattan, a large quantity having been shipped to the provinces of Cebu, Iloilo, Bohol, and others.

From statistics compiled it was ascertained that during the fiscal year 800,000 pieces of rattan were cut, of which number 100,000 were shipped to Iloilo, 150,000 to Cebu, and 130,000 to Bohol, making a total of 380,000, the balance having been used in this province.

Among the mineral resources of the province which are known to exist are sulphur, coal, and chalk, though none of them have been worked.

NONCHRISTIAN OR PAGAN TRIBES.

From information obtained there are between 16,000 and 18,000 hill people living in scattered groups or tribes, composed of from eight to ten families each. These hill people inhabit the northern mountain chain of this province, extending from Bals to Guihulngan. Their principal work is the cultivation of

corn and rice by the *cañgin* system, consisting in clearing patches of the forest by fire and cultivating the land so cleared to not more than one or two crops, abandoning the patches, and then repeating the process.

By this system of cultivation these hill people are gradually destroying the forestry wealth of the province, where the scarcity of good building lumber, in comparison to former years, is beginning to be noticed. Some of these tribes or settlements of hill people that are far in the interior have afforded refuge to malefactors, who there find decided protection. Escaped prisoners from the neighboring provinces, as well as from this province, and all sorts of outlaws live with them on a common level. As a logical consequence of this fact many of the hill people, having become contaminated by these malefactors, sometimes make incursions into the neighboring barrios that are distant from the town center, though this has rarely occurred in this province.

Generally speaking, the great majority of the hill people of this province are of a peaceable disposition, many of them maintaining commercial relations with the inhabitants of the towns. Others are engaged in the cultivation of cacao and hemp, either working on shares or independently, especially in the cultivation of *abacá*, by reason of their residence and of being acclimated to the places suitable for the cultivation of this crop. They are a labor element that can not be substituted in the cultivation of this valuable product in the gulleys and valleys of the mountainous part of this province. They live in the immediate vicinity of their plantations, but the little security afforded them by reason of their isolation and the incursions from time to time of malefactors from the mountains in the western part of the island has suggested to them the formation of barrios at adequate places in the mountains where proximity to the towns will guarantee their security.

For this purpose the hill people living in the jurisdiction of the municipalities of Bais, Tayasan, and Guihulngan have petitioned the said pueblos for the formation of barrios in order that they may little by little enter into the political and civic life of said pueblos.

The municipalities of the north of this province being the most interested in the question of these hill people, on account of the maintenance of order in their respective municipalities and also on account of the recent increase of their wealth resulting from the plantations of *abacá* that have been made in the mountains, report upon the advisability of the establishment of these barrios by a good proportion of these hill people, the number being calculated at about one-third of the total number of hill people existing in this province.

PUBLIC HEALTH AND SANITATION.

Smallpox has become almost endemic in this province, but fortunately it is the only epidemic that has caused ravages among the population.

About the beginning of 1905 the epidemic mentioned appeared, and by the beginning of this year it had become widespread, especially in the island of Siquiljor. There were also a good many cases in the pueblos of Luzuriaga and Bacon in the barrio of Sibulan, district of Dumaguete, and also a few in this provincial capital. Outside of the places mentioned it can be said that there was no smallpox, it being therefore localized in the municipalities named.

Owing to its spread during the first few months of this year, nine vaccinators were assigned to this province and distributed among the different pueblos by order of the president of the provincial board of health.

The following table shows the work of vaccination performed during the last quarter of the fiscal year 1906:

Month.	Municipality.	Number vaccinated.				
		Men.	Women.	Adults.	Under 14 years.	Total
April	Siquiljor and Sibulan	5,604	5,360	5,851	5,613	10,964
May	Siquiljor, Sibulan, and Dumaguete.	7,675	6,644	7,457	6,862	14,319
June	Luzuriaga and Bacon	5,054	4,825	4,980	4,899	9,879
Total ....	.....	18,333	16,829	17,788	17,374	35,162

As may be seen, the work done by the provincial board of health has been very satisfactory, and due to its efforts smallpox is now almost totally exterminated, only a few cases of a mild character being recorded as the aftermath of this disease, which at first assumed an alarming character.

Only in the pueblos of the island of Siquijor were there many cases of black pox among adults and children, the mortality being greater among the latter.

With the exception of smallpox, the health of the people throughout the province could not have been better, as no other disease or epidemic visited this region.

The total number of deaths for the fiscal year is somewhat larger than for the year before, when there were only 3,728 deaths, while from July 1, 1905, to June 30, 1906, the total reached 4,220.

This increase is explained by the epidemic of smallpox.

Hereunder will be found a detailed list of the number of deaths, by municipalities, during the fiscal year:

Ayuquitan -----	412	Luzuriaga -----	249
Bals -----	224	Siaton -----	136
Bacon -----	476	Siquijor -----	472
Dumaguete -----	394	Tayasan -----	243
Dauln -----	184	Tanjay -----	403
Gulhulngan -----	176	Tolon -----	115
Larena -----	161		
Lacy -----	575	Total -----	4,220

AGRICULTURE AND COMMERCE.

The high price of sugar, the principal agricultural product of this province, the year before this was encouraging to the planters, who, with the prospect of as good or better prices, extended their plantations of cane after overcoming many difficulties presented, and which are still presented by the lack of work cattle.

Some of the planters obtained magnificent agricultural machinery for their plantations for the purpose of supplying the lack of cattle.

The most important agricultural products entering into the trade of this province were scarcely larger than the year before, in spite of the good purposes animating the planters.

Sugar.—The present crop of sugar leaves much to be desired, being less profitable than last year. The amount of sugar produced has varied but little from the amount obtained last year, while the prices have been lower. Last year the maximum was ₱6.10 per picul, while this year's crop, the majority of which, belonging to the Compañia Tabacalera, brought a maximum price of only ₱4.50 per picul for the best grades.

Hemp.—The same thing can not be said with regard to this agricultural produce, which is daily increasing and has reached a higher price than last year.

In spite of the fact that the producers of this article work on a small scale and are obliged to take the prices offered by Chinese merchants, the only buyers of that textile fiber in this province, as high as ₱22.25 per picul has been paid.

It has been observed that many of our agriculturists have given up the cultivation of cane in preference to hemp and cocoanuts, which will soon become the most important products of this province.

Copra.—With regard to this agricultural product it can also be said that its exportation is gradually increasing and that it will be much greater within the next four years, as extensive plantations are noted in all of the pueblos.

Corn.—The yield from this article of prime necessity for the inhabitants of this province shows a considerable increase in production, the present crop having been really extraordinary compared with former years. It was sufficient for almost the entire consumption of the province, many producers having large stocks of corn in their warehouses. This abundance brought the price down to ₱1 a cavan.

The trade of this province is yearly increasing. It is estimated that the rice imported by Chinese during the fiscal year amounted to 116,240 piculs; on the other hand, the importation of corn has been small, owing to its abundance in this province.

The principal products obtained during the fiscal year were as follows:

Sugar	-----piculs--	61, 730
Hemp	-----do---	60, 178
Cotton	-----do---	2, 567
Copra	-----do---	20, 537
Corn	-----cavans--	500, 000
Tobacco	-----hands--	42, 000

In spite of the fact that agricultural and commercial conditions in the province are, generally speaking, prosperous and flourishing, there is a good deal of penury, owing principally to financial stringency.

The farmers of this province have had to struggle with three great difficulties, to wit, lack of money, which prevents them from properly cultivating their lands upon the scale that they would be enabled to do if there were persons or banks that would furnish them the necessary capital at a moderate rate of interest; the rinderpest, which for some years has been decimating their work cattle, and the locusts, which at the time of writing this report are ravaging the plantations, having already caused great losses to some farms, especially those in the pueblos of Bais, Tanjay, and Ayuquitan.

A great deal of work is being done and energy expended for the purpose of exterminating the locusts, but so far it has been impossible to prevent the losses which have occurred.

In the face of this terrifying prospect our farmers expect that the next crop will be small and poor.

POLITICAL CONDITIONS.

Political conditions in this province at the present time could not be more satisfactory, the greatest tranquillity prevailing, no assaults by the so-called "pulahans" having been recorded.

Public order is also in a very satisfactory condition throughout the municipalities, though much might be done to improve matters in this respect with a good organization of the municipal police such as that I have now under consideration.

It can be affirmed that no political contentions worthy of being mentioned in this report exist in this province, though there are differences of a religious character owing to the diversity of cults resulting from the enjoyment of one of the principal rights now possessed by the Filipino people.

I am very confident that it will not be long before the strained relations between Romans and Aglipayans will disappear, and I hope that the principal elements of the province, without distinction, will cooperate with me in this work, to which I shall devote all of my energy,

I shall be highly pleased if I am able in my next report to say that this province is unexcelled as regards political conditions.

Respectfully submitted.

HERMENEGILDO VILLANUEVA,
Governor of the Province of Oriental Negros.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF PALAWAN.

OFFICE OF GOVERNOR, PROVINCE OF PALAWAN,
Puerto Princesa, P. I., July 15, 1906.

SIR: In compliance with the provisions of section 6 of act No. 1396 of the Philippine Commission, I have the honor to submit the following report of conditions in the province of Palawan for the fiscal year ending June 30, 1906.

AGRICULTURE.

A decided increase in the area cultivated in the province during the year and a good harvest in the greater part of the province has greatly improved the condition of the poorer people over previous years since American occupation.

The principal agricultural product is rice. In previous years a great deal of palay had been shipped into the province to tide over the season before harvest, but this year enough rice has been produced to supply local needs, with possibly a small surplus that has been exported. No locusts have been reported.

Cocoanuts, abaca, and sugar plants are being planted by many people, but the increase is necessarily slow because of difficulty in procuring seed and plants.

A good yield of tobacco was secured in the tobacco district of the island of Palawan.

As this province had been free of rinderpest during former years the islands have been well stocked with cattle and carabao, and next to timber products these animals have constituted the principal export of the province.

Unfortunately, a few months since, rinderpest appeared in the Cagayan Islands and almost exterminated the few cattle, carabao, and hogs in this small group.

The disease has not made its appearance in any other part of the province.

COMMERCE.

Outside the shipping of timber and cattle, trading by boat from village to village can be said to constitute the greater part of the commerce of the province. Stores of any pretensions can only be found in Cuyo and Puerto Princesa.

FINANCE.

The people of this province, as a whole, are very poor; but owing to the rich natural resources of the islands no suffering has been encountered where a little additional effort on the part of the sufferers would not have alleviated all suffering.

The taxes as provided for in acts No. 1396 and No. 1397 are ample to support the township governments.

The provincial government is still supported by appropriation from the insular treasury; ₱12,500 were appropriated for general provincial expenses for the fiscal year.

This amount, with other sums that have been appropriated for specific purposes, has been sufficient to meet all needs.

The public-labor clause of act No. 1396 will, I believe, prove a great help to the townships. By it no one is forced to pay a money tax; but by giving services, the public buildings, wharves, streets, etc., can be kept in repair without much cost.

SCHOOLS.

The schools in the province are continuing to do good work. Advanced work is being done under the American teachers in Cuyo, and an effort is being made to prepare Filipino teachers so that they can be sent to the more isolated points. The lack of competent Filipino teachers has very much handicapped the educational work here. Natives of other provinces seem unwilling to accept appointments to Palawan.

However, within a reasonable time locally prepared teachers will be prepared to take up the work.

During the year an equipment for industrial work has been received and installed at Puerto Princesa. A beginning has been made to teach carpentering, blacksmithing, and agriculture. The school is now well housed and equipped, and I anticipate great results from the instruction that will be given in it. There is no question in my mind but that the most important instruction that can be given the boys of this province is to teach them a trade or the principles of modern agriculture in order to enable them later to make use of the great resources that nature has placed at the disposition of him who can work intelligently.

NATURAL RESOURCES.

Under this heading mention should be made of the growing timber-cutting industry. Large quantities of Ipil and a few other woods are being shipped to Manila, Iloilo, and Cebu.

Good qualities of resins (almaciga) and ratan (bejuco) are gathered in considerable quantities.

Owing to the poor market for these minor forest products in the Philippine Islands they are mostly shipped to Singapore via Balabac and Borneo.

The bureau of forestry is devoting considerable attention to the identification and classification of the timbers of Palawan, and is making working surveys of the forest lands in order to direct the cutting more intelligently and preserve timber areas. An American forester has spent several months during the year on the island of Palawan.

CRIME.

There is very little crime in this province. Almost all the criminal cases brought before the court of first instance during the year have originated in the penal colony at Iwahig. On September 20 last an outbreak was attempted in the colony. Fortunately warning reached Puerto Princesa promptly, and the arrival of troops at the colony put an end to all signs of trouble. Thirty-three convicts left the colony on the day of the outbreak. These, with the exception of those who were killed, have all been recaptured and given heavy additional sentences to be served in Billbid. No one has succeeded in making good his escape from the colony. The great distance that must be traveled before another island can be reached, and the fact that there is a standing reward for the recapture, dead or alive, of any of the convicts almost precludes any possible chance of escape.

As the provincial capital has been moved to Puerto Princesa, I would suggest that a spring session of the court of first instance, to follow the April session at Cuyo, be authorized for Puerto Princesa, providing any cases should be ready requiring trial.

I still believe that increasing the limits of jurisdiction of the provincial governor as justice of the peace would be beneficial.

If he could have original jurisdiction in criminal cases where the maximum sentence could not be more than two years' imprisonment and ₱2,000 fine, and in civil cases those involving ₱5,000, he could close up cases in distant parts of the province that at present cause a great loss of time and hardship to those who must come long distances to attend sessions of the courts of first instance.

MUNICIPAL POLICE.

The present municipal police are far from being the efficient body they should be. They are poorly paid and without discipline. The provincial governor has little time at his disposal to inspect the police, let alone look after their training.

I believe the plan to place the municipal police under the immediate jurisdiction of the constabulary inspectors of the province, who would be required to organize the police force on a more permanent basis, select better men, and who would be held responsible for the training and efficiency of the various police forces, would be productive of far better results than the present system.

With poor municipalities I would suggest that insular or provincial financial aid be given the town so that the police salaries could be made sufficient to enable the securing of a better class of men than can now be secured.

With such a police force the enlisted strength of the constabulary could be greatly reduced. Small posts where a noncommissioned officer and a few privates are now stationed could be abandoned.

The local police force would be more expensive than heretofore, but it could be made efficient, and the saving brought about by the diminished insular force would more than offset this increased cost.

NONCHRISTIAN TRIBES.

All the Mohammedan and pagan tribes of Palawan have been contentedly following their ordinary peaceful pursuits during the year. I have endeavored to keep up frequent communication with the mountain tribes, as I find that the best way to secure their confidence. I have not been able to visit these people as much as I have desired, because of the lack of transportation, but I shall be able to visit them more frequently in the future by means of the new auxiliary sailboat that is now being completed for this province.

Among the Tagbanuas a large percentage of the men can read and write their primitive phonetic written language. As I have a clerk in my office who reads this character writing, I have distributed writing materials among the Tagbanua villages and encourage them to use the character writing in communicating among themselves and with my office.

I am bringing a few boys from the non-Christian rancherías to Puerto Princesa, where the smaller ones attend the English school, while the larger boys learn blacksmithing and carpentering in the trade school.

I find all the pagan people of Palawan harmless and peaceful as long as they are justly treated.

LOCAL IMPROVEMENTS.

A municipal building and a schoolhouse, both large structures of hard woods and iron roof, are nearing completion at Coron.

A municipal and provincial school building, 50 by 100 feet, with metal roof, is being constructed in Cuyo, where materials are now ready to extend the stone pier and to better the local water supply.

At Puerto Princesa the provincial office building and governor's residence have received new iron roofs and other repairs, and a new timber wharf is being built.

School buildings have been built during the year in the barrio of Concepción, Coron; barrio of San Carlos, Cuyo, and the barrio of Inagahuan, Puerto Princesa, entirely by contributed labor.

Two of these barrios now have flourishing schools and the third one will have a school started as soon as a recently appointed Filipino teacher can reach the place.

Health conditions are as good as could be expected where the greater part of the population are very ignorant. No cholera, smallpox, or other epidemic has reached the province during the year. The larger towns are kept in a fairly good sanitary condition and special efforts have been made to cause the people to keep the surroundings of their homes clean.

A few photographs illustrative of improvements, etc., made during the year are being prepared and will be forwarded as soon as possible.

Respectfully submitted.

EDW. Y. MILLER,
First Lieut., Twenty-ninth U. S. Infantry,
Governor Province of Palawan.

The GOVERNOR-GENERAL,
Manila, P. I.

REPORT OF THE GOVERNOR OF THE PROVINCE OF PAMPANGA.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF PAMPANGA,
San Fernando, July 30, 1906.

SIR: In compliance with the provisions of act No. 1044 and the circular letter of the executive bureau of June 9, 1906, I have the honor to submit my annual report for the year ending June 30, 1906.

AGRICULTURE.

Sugar and rice are the principal agricultural products of this province. This year the crop of the two products mentioned, compared to that of last year, was 40 per cent less as regards sugar and about the same, if not still less, for rice. The reason of the decrease in the production of sugar was the unfavorable condition of the weather between the time of preparing the ground and the time of planting the cane. No rain fell in the province from November to May, in the beginning of which month there was a copious and prolonged fall. Many lands were left uncultivated, and where plantations were made the tender shoots of cane suffered severely from the drought and heat, while the heavy rains in May harmed rather than benefited the plantations. I will make no mention of other products of minor importance, such as corn, sweet potatoes, red beans, peanuts, etc.

Many fields are lying fallow for want of capital, labor, and work animals. Deaths among the latter are still recorded, especially among buffaloes and horses. There was also an invasion of locusts, it being estimated that over 3,500 cavans of locusts and hoppers were destroyed in the municipalities during the fiscal year. The condition of agriculture is yearly becoming worse, so that even the most active and diligent planters in the province are becoming disheartened.

COMMERCE.

The commerce in the province is restricted to the sale of the products derived from its soil. It is estimated that the amount of sugar placed upon the market was 350,000 pilones, at an average price of ₱4 a pilon, and 1,500,000 cavans of

palay, at an average price of ₱1.50 a cavan. Two-thirds of the latter crop was consumed in the province.

Trade in articles shipped into the province is small and chiefly restricted to the goods bought from commercial houses in Manila.

ECONOMICS.

The general clamor regarding the economic crisis through which the islands are passing is echoed in this province in view of the fact that its revenues depend upon its agriculture. The alluring hopes harbored and cherished by the agriculturists and referred to in my last report were disappointed. Some planters, encouraged by the high prices paid for sugar in 1904, and hoping to recuperate their losses little by little, made every possible effort to double their crops, mortgaging their lands to usurers for loans advanced at very high rates of interest. When the harvest came, as a result of unfavorable weather conditions at the time of planting and of the fact that the price of sugar instead of rising showed a constant decline, the final outcome was that the poor planters lost not only all their savings, but also their lands, which fell into the hands of the usurers. The only positive remedy to put an end to all these evils is the establishment at once of agricultural mortgage banks.

In view of the economic crisis so keenly felt in this province the temporary suspension of the land tax granted by the insular government was both timely and well received, as it saved the inhabitants from the ineludible obligation of having to pay same.

INDUSTRY.

No industry in addition to those already mentioned in my former reports has been introduced into this province. The manufacture of sugar is carried on as an industry derived from agriculture. Mills propelled by steam and animal power are used. The so-called baling industry, which consists in the making of bayones or sugar sacks woven from the leaf of the buri palm and in packing sun-dried sugar for export, is carried on as of yore. Since this manufacturing industry has been in existence many thousands of the sacks above described have been made. There has been an increase in the manufacture of sawall, a species of mat woven from cane and used for ceilings, etc., which is becoming very widely used for house construction.

The following is a list of manual industries: Manufacture of mats; manufacture of chairs, benches, and tables of bamboo; the making of nets and other fish tackle; the making of nipa roofing material; pottery for household and kitchen use, and innumerable small articles of cane.

FINANCE.

The financial condition of the province is most excellent as a result of its transactions during the fiscal year, as may be seen from an examination of the following tables.^a

PUBLIC INSTRUCTION.

The following buildings are being constructed at the present time for schools: In the pueblo of San Simón, formerly a separate municipality, but now consolidated with the municipality of San Luis, one building, estimated to cost ₱3,500, and in the municipality of Arayat one building at an estimated cost of ₱4,000. Both are being erected with funds collected entirely by means of public subscriptions donated by the inhabitants of the said pueblos.

The following municipalities enlarged and repaired their schoolhouses: Apalit, at an estimated cost of ₱25; Magalang, at an estimated cost of ₱274, and México, at an estimated cost of ₱1,200.

In nearly all of the barrios of the municipalities schoolhouses have been put up. The inhabitants of the province made a money contribution of over ₱15,000, of which amount ₱7,000 went toward swelling the appropriation for the school of arts and trades at Bacolor, and ₱8,500 to swell the amount destined for the construction of the high school at San Fernando. The province

^a These tables are on file in the War Department.

will, in accordance with a provision of the department of public instruction, receive the sum of ₱12,000 from the Congressional relief fund under the condition that ₱5,000 shall be used for the repair of the school of arts and trades at Bacolor and the rest, ₱7,000, for the high school which is to be erected in San Fernando, as above stated.

The province is paying the expenses of an intermediate school of carpentry at Bacolor, which has an attendance of 58 pupils, and of a school (the provincial school) at San Fernando, which has an attendance of 288.

The municipality of Apalit has a school of blacksmithing supported by municipal funds; Arayat and Mexico have each an intermediate school also supported by municipal funds, with an attendance of 26 and 32, respectively.

The number of American teachers is 38; Filipino insular, 14; municipal, 206.

The daily average attendance in the public schools is as follows:

Angeles -----	753	Mabalacat -----	590
Apalit -----	795	Macabebe -----	1,498
Arayat -----	1,594	Magalang -----	391
Bacolor -----	1,301	Mexico -----	1,600
Candaba -----	1,178	Porac -----	800
Florida Blanca -----	684	San Fernando -----	2,222
Guagua -----	1,265	San Luis -----	1,447
Lubao -----	1,506	Santa Rita -----	585

Interest in school work has constantly increased during the year. The inhabitants are enthusiastic for the progress of education; they not only gladly pay their taxes, but also contribute with their own money toward the construction of schoolhouses.

PUBLIC IMPROVEMENTS.

During the period covered by this report ₱34,336.44 were invested in the construction of 4.87 miles of road and 9 bridges, the repair of 12 miles of roads and of 13 bridges. A good lot was also acquired as a site for the construction of the provincial building and the provincial high school. This land was leveled and drained and partly planted in shade and ornamental trees. An artesian well has also been drilled to supply the necessary water.

PROVINCIAL JAIL.

During the period embraced by this report 92 prisoners entered the provincial jail. Of this number 3 were Americans, 76 Filipino men, and 13 Filipino women. Of this number, also, 19 are serving sentences under two years; 3 have been sent to Bilibid to serve their sentences; 29 are waiting trial; and 41 have been released.

The offenses for which they were imprisoned are as follows: Unchaste abuses, 1; adultery, 3; housebreaking, 2; assault and robbery, 5; murder, 4; brigandage, 14; bigamy, 1; coercion, 3; estafa, 3; falsification, 1; homicide, 2; theft, 5; calumny, 1; violation of act No. 709, 20; insurrection, 1; highway robbery, 5; lesiones graves, 6; lesiones menos graves, 1; abduction, 1; abduction of a minor, 1; illegal use of firearms, 1; attempted rape, 2, and rape, 2.

POLITICAL CONDITIONS.

Absolute quiet and tranquillity have been experienced throughout the pueblos of the province; public order has not in the least been disturbed. The inhabitants of the rural barrios are all engaged in their habitual occupations tilling their lands, cleaning and taking care of their plantations.

It is also an indisputable fact that certain persons affiliated with the band of Felipe Salvador, chief of the association denominated Santa Iglesia, are roaming in the hills and mountains and hiding from the constabulary that are constantly on their trail. Beyond this they have committed no depredation to date in this province, as is their custom in the neighboring ones. Some of these people, however, have already been captured and are in the provincial jail waiting trial. It is also a very regrettable fact, however, that the inhabitants of the barrios and places frequented by Felipe Salvador's people do not volunteer

information of their presence to the authorities. When asked why they do not furnish such information, these inhabitants, who are rude, ignorant, and superstitious folk, deny having seen or heard anything, which is not surprising, considering their belief that the giving of such information is a sin, as they believe Felipe Salvador to be surrounded by a halo of sanctity.

To banish this error, during my last inspection of the municipalities I convoked all of the *tenientes de barrio* and made them understand, by means of persuasion and warning, the obligation incumbent upon the inhabitants of the different barrios to furnish the desired information to the authorities, telling all they know or are in a condition to ascertain with regard to this matter, on pain of being treated and considered as aiders and abettors and of being turned over to the hands of the authorities as veritable criminals. This warning has given practical results as is proven by the fact that those recently captured were apprehended by aid of information furnished by the people of the barrios.

A pleasing and unforgettable event for the province of Pampanga took place on the 14th of August, 1905, when the honorable William H. Taft, Secretary of War, and his illustrious following, accompanied by Miss Alice Roosevelt, daughter of the honorable President of the United States of America, honored the province by their pleasing visit. The news that Pampanga had to receive and feast the daughter of the President spread throughout this and the neighboring provinces and created unusual interest, resulting in special preparations having been made in her honor.

PUBLIC HEALTH AND SANITATION.

Health conditions in general were not entirely bad, though some cases of smallpox of a mild type, and a few isolated cases of cholera, which did not spread among the people, were registered. Thanks to the activity and efforts displayed by the department having charge of the matter, both diseases were promptly and effectively combated, so that they claimed but few victims.

A plan which will soon be carried out in all of the municipalities that have not a good supply of pure water is the digging of artesian wells at the expense of the municipal funds. This idea was conceived and suggested by the bureau of health.

RECOMMENDATIONS.

1. In order that the collection of delinquent land taxes may be more effective, economical, and expeditious, it is recommended that the provincial treasurer be authorized to notify each of the delinquents personally through an agent or deputy temporarily appointed by him.

2. That the provisions of act No. 1401, abolishing the office of provincial supervisor and substituting therefor that of district engineer, be made not applicable to this province. Practice has demonstrated that at least in this province the change does not bring the desired results; it is not more economical; the work is poorly done and worse looked after, as the district engineer can not possibly promote the advance of public improvements owing to the defects of the present system.

3. That ₱20,000 be appropriated from the Congressional relief funds for the province of Pampanga, to be used in the strengthening of the retaining dikes affording protection against the annually recurring freshets and floods of the Rio Grande de la Pampanga, which are a constant menace and danger to the agricultural region formed by twelve pueblos of this province.

4. That the provisions of the law on vagrancy be applied or extended in such manner as to become effective with respect to a large number of idle people in the barrios where agriculture is carried on, or the enactment of an adequate law which will tend to correct the evil referred to.

5. That the office of president of municipal board of health be abolished on the grounds set forth in my last report under the caption "Reduction in the salaries of municipal officials."

Respectfully submitted.

M. ARNEDO,
Governor of the Province of Pampanga.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF PANGASINAN.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF PANGASINAN,
Lingayen, July 27, 1906.

SIR: In compliance with the provisions of act No. 1044 and of the circular letter of June 9, 1906, I have the honor to make the following report:

On March 5, 1906, I took charge of the provincial government of Pangasinan, having been elected to the office of provincial governor with the approval of the governor-general.

ECONOMICS.

The better to show the economic administration of this province, I have thought it advisable to divide it under two heads, provincial and municipal, as shown in the comparative summary of balances of both funds on July 2, 1906.

Various funds according to the books of the provincial treasury.

Class of funds.	Local currency.	Philippine currency.
Balance from provincial ledger:		
General funds.....	\$1,567.58	₱70,994.08
Road and bridge fund.....		9,918.40
Balance from municipal ledger:		
Municipal funds.....		33,041.15
New Christian municipalities.....		229.94
Ledger, miscellaneous:		
Internal-revenue stamps.....		12,219.85
Documentary stamps.....		868.22
Municipal deposits.....		106,218.84
Forestry taxes.....		398.54
Opium deposits.....		200.00
Cattle-stamps deposit.....		332.00
Redemption of lands.....		209.22
Surplus from sale of lands.....		28.16
Total balance according to cashbook.....	1,567.58	234,648.35

Where funds are kept or deposited.

Cash.	Local currency.	Philippine currency.
In currency.....	\$1,567.58	₱73,852.11
Checks.....		11,500.49
Memorandum receipts:		
District engineer.....		1,100.00
Walter E. Jones, check on Bank of Pangasinan, Thomas Hardeman.....		18.00
Deposits, according to books of provincial treasury, in insular treasury.....		148,172.75
Total.....	1,567.58	234,648.35

As regards the first table, it is a satisfaction to me to say that during the period embraced by this report nothing worthy of mention has occurred. The ordinary revenues have been sufficient to cover ordinary expenses, while the surplus has been used for the maintenance of public buildings in the province and for improvements, security, and sanitation of the provincial jail.

The funds for roads are insufficient to attend to repairs of principal roads and bridges, which are in a bad condition. During former years appropriations for this purpose had to be made from general funds to quite a considerable extent, having included the cost of an iron and timber suspension bridge between Sual and Alaminos. This work was finished in April. Some saving has been made in expenses for temporary employees, such as foremen, whose positions were abolished as unnecessary.

The provincial board has planned the construction of an iron bridge on the San Jacinto and Manaoag road, estimated to cost ₱11,923.39 according to the district engineer.

As regards municipal funds, it is also a satisfaction to say that nothing has occurred worthy of mention in this report. The ordinary revenues are sufficient for ordinary expenses, though some municipalities were obliged to reduce the salaries of their employees, including that of the municipal president and of the municipal secretary, in order to make both ends meet. The surplus left over after paying expenses was so small that the municipalities were obliged to have recourse to voluntary contributions from wealthy residents in order to carry out improvements, repairs, and construction of public buildings.

AGRICULTURE.

Agriculture is the principal source of wealth for the inhabitants of this province, but unfortunately it is at present in a condition of depression and decadence, owing to the series of calamities through which it has passed during the ten years prior to this time. In all of the pueblos the desolate picture of large tracts of land lying uncultivated and abandoned is presented to the eye. The last rice crop suffered a loss of 50 per cent by the storm of last September and the drought during the months of November and December. The ravages of the locusts during the months of July to November, 1905, also contributed to the loss of several crops, especially that of rice. The last storms during the months of May and June leveled the rice fields, which had to be planted over again, and injured the mango trees, the last storm having occurred at the time of gathering. The pueblos of Lingayan, Salasa, Binmaley, Dagupan, San Fabian, Sual, and Mangaldan, having large areas of nipa lands, are distillers of vino, and as a result of the internal-revenue law, which caused the closing down of tuba and nipa distilleries and the consequent abandonment of the plantations indicated, are sunk in the lowest depths of poverty.

During my tour of inspection to the municipalities I have recommended that each father of a family plant 25 cocoanut trees for himself and an additional 25 for each of his children, as well as the planting of maguey, cacao, coffee, and other useful trees and plants. I have also advised those persons who have no land of their own to avail themselves of the benefits offered by the public-land law, known as act No. 926.

In order to be able to estimate the effect of my suggestion with regard to this matter, I directed the councillors to make a monthly report of each barrio or district inspected by them to the municipal president, who is instructed to make a résumé of the said reports and forward same to my office on or before the tenth day of each month. This system was inaugurated last June, and from the reports received the following increase has been noted: Cocoanuts, 19 per cent; maguey, 49 per cent; cacao, 62 per cent; coffee, 93 per cent, and mangoes, 54 per cent, over plantations existing prior to my tour of inspection.

The possibility of the establishment of an agricultural bank is the dream of agriculturists, who regard it as the only hope for lifting agriculture from its present condition of depression and for improving the methods under which it is carried on so as to adapt it to modern systems.

INDUSTRY, COMMERCE, AND MANUFACTURES.

The annexed table, marked "Exhibit A,"^a shows the different industries and factories in the province subject to the provisions of the internal-revenue law.

Aside from the industries and manufactures expressed in the said table, there are others which were described in the report of my worthy predecessor, Señor Macario Fávila; the raw materials used in the said industries are the products of this locality. In order to develop the said industries the introduction of machinery and appliances of the most approved type should replace the old methods employed to the present day.

I regret to report that business is in a moribund condition, if not dead, and that industry moves but slowly on account of its concatenation with the deplorable condition of agriculture, which has already been described in this report.

PUBLIC INSTRUCTION.

When the undersigned took charge of this provincial government it was his purpose to devote special attention to education, with the firm conviction that

^a This table is on file in the War Department.

It is the only thing which will prepare and place the people in position to enjoy other liberal institutions, particularly that of self-government.

During my tour of inspection to the municipalities I held conferences, public and private, with the municipal officials and other distinguished residents in all of which I endeavored to inculcate the sacred duty they have of extending their help and cooperation toward the fulfillment of the desires of the government regarding education in these islands.

The division superintendent of education for this province in his report of April 30, 1906, refers to small private schools established in the pueblos, which he considers an obstacle to the progress of education established by the government. During my tour of inspection I saw the said schools, which are the result of the active propaganda of the Centro Católico, branches of which are established in various pueblos of this province. The said Centro, its tendencies and methods, are to my manner of thinking the exclusive work of the friar as the bitter enemy of the present method of education, as is confirmed by the part of the annual report of the division superintendent of schools, which is as follows:

"There are two dominant parties in Agno divided in the matter of religion. Both parties favor the public schools, but as each is decidedly opposed to the other, the two do not lend their undivided cooperation to school work. The general sentiment during the past year has not been the most favorable for the development of municipal government or of the principles representing progress, the teachers have made great efforts and have been fairly successful in the development of the schools. Officials in general should give more attention to the progress of the people and of the public schools.

"The president of Manaoag takes great interest in the public schools and also appears to be greatly interested in municipal affairs in general. We have had great difficulty in securing an adequate site for a schoolhouse. The great need of that pueblo is a good schoolhouse to accommodate the children of the town. A great deal of opposition has been offered by the Spanish friars living there. It appears that their purpose is to oppose rather than encourage education. The sentiment of the people toward the public schools is excellent to a high degree."

Education in this province is divided into three groups: Primary schools, intermediate schools, and high school, as detailed below.

Public schools:

Matriculated	18,778
Average belonging to schools	15,303
Average attendance	13,927
Percentage of attendance	97

These refer to the public schools in the municipalities of this province.

Intermediate schools:

Matriculated	500
Average belonging to the schools	466
Average attendance	457
Percentage of attendance	98

These schools are established in the municipalities of Alaminos, Agno, Binalonan, Dagupan, Lingayen, and San Carlos.

Secondary school:

Matriculated	16
Average belonging to the school	13
Average attendance	12
Percentage of attendance	99

This school is established at Lingayen, the capital of the province.

Number of school buildings:

Public schools	244
Intermediate schools	6
Secondary school	1

Total..... 251

In my popular lectures in the pueblos I have suggested the advisability of constructing school buildings with materials available in the locality in the pueblos and in the barrios, where such buildings did not exist, and of the repair

of those in bad condition; this is being done by voluntary subscriptions from wealthy residents. As to the results obtained, I have the satisfaction of saying that in some of the pueblos work has already started, while in others the materials are being gathered together, though at the present time there is a cessation on account of the planting of rice.

An intermediate school was started during the present term in the municipality of San Carlos. The building will be constructed with voluntary contributions from the wealthy residents; in the meanwhile the school is being held in a private house.

The intermediate school at Asingan was transferred to Binalonan, where a building of strong materials will be erected at an estimated cost of ₱16,000, one-half subscribed by the residents of Binalonan and the other by the municipal treasury, ₱6,000 of the former having already been collected.

The municipality of Bautista has planned to construct an intermediate school in accordance with the recommendation of the division superintendent of education, a subscription having been opened which already amounts to about ₱1,000.

Number of teachers on June 30, 1906:

American	30
Insular	16
Municipal	391
Auxiliary	54
Total	491

The following tables show the revenues and expenditures of school funds during the fiscal year:

Revenues:

Balance July 1, 1905	₱52,375.43
Land tax, refund from insular treasury	25,989.24
Internal revenues	13,807.30
Appropriation from general funds	11,870.00
Unpaid debt	1,176.47
Total	105,218.44

Expenditures:

Salaries of teachers	36,643.31
Repair and construction of schoolhouse	11,609.60
School furniture	2,480.80
Rent and incidental expenses	5,844.31
Total	56,578.02

Balance April 1, 1906 48,640.42

Owing to lack of information it has been impossible to include in this report the revenues and expenditures from April to June, as I would like to have done.

During the present school year a trade school has been established at Lingayan, which is attended by 20 of the most advanced pupils of the high school.

The last examination for government students to go to the United States resulted in the approval of two pupils from the high school of this province.

ROADS, BRIDGES, AND CULVERTS.

I devote a separate part of this report to the roads, bridges, and culverts of this province, in consideration of the fact that they are of vital importance. From the records of the provincial board the province has invested in roads, bridges, and culverts approximately half a million pesos since the organization of civil government and during military occupation. It is sad to have to confess, but it is nevertheless true, that the condition of the roads leaves much to be desired and that parts of them are impassable, with the exception of a small portion between Lingayan and Binmaley and Dagupan and Bagulo, via Mangaldan, Manaoag and Pozzorrubia, neither durable material nor work have been employed. Fortunately, the principal roads have a good foundation on account of the stony character of the soil and of the fact that gravel and coarse and fine sand are handy. In view of these circumstances the municipal presidents had

the happy idea of passing a resolution at their convention, held on April 9, that the work of repairing the roads be done at one time by the voluntary labor of the inhabitants of this province, the honorable commission having been petitioned for authority for the organization and maintenance of road gangs in each municipality and for the suspension, for an indefinite time, of the provisions of the law relating to the use of narrow-tired carts, with the proviso that they shall be substituted for wide-tired carts, in accordance with the law, later on. Bridges and culverts constructed of pine, a lumber unsuitable for this climate, have lasted but a short time, as insects have destroyed them, so that constant repairs have been necessary. Other bridges and culverts have ceased to exist on account of having been carried away by floods resulting from freshets.

PUBLIC ORDER.

The province has, in addition to the constabulary, the number of municipal police for the maintenance of peace and order which is given in the following table:

Municipal police:

Chiefs or heads in each municipality	33
Assistants	52
Police men	274
Total	359

Arms:

Rifles	102
Revolvers	75
Total	177

Each municipality uses its discretion as to uniforms; but, as a general rule, the uniform of the municipal police consists of a blouse, trousers, and cap made of the same stuff, campaign straw hat and insignia somewhat similar to those used by sergeants and corporals of the Regular Army. The police serve in the municipal centers carrying wooden billies during the day and rifles or revolvers at night. They are subject to regulations adopted by municipal councils. When the number of inhabitants and the area of this province are taken into consideration, the number of municipal police is conspicuous on account of its smallness. In order to obviate this defect I have suggested to the presidents and municipal councils the organization of rural guards armed with bolos or talibones maintained and paid by voluntary subscriptions of wealthy residents. This corps, which has already been organized, is made up of men who act as peace officers in the barrios; its efficiency is becoming evident from reports received in my office from municipal residents.

The rural police or guards have been organized in sixteen municipalities of this province, with 1,355 members, and I hope that within a short time it will be extended to the remaining sixteen municipalities.

Since I took charge of the provincial government no disorders worthy of mention in this report have taken place, with the exception of the disturbance which occurred in Anda on March 11, the cause and result of which I reported to the honorable executive secretary on April 18, at the same time that I informed him of the existence of a considerable number of families affiliated to the religious sect entitled guardias de honor, who are suspected of being connected with the so-called Santa Iglesia or Salvadoristas.

In order to be able to estimate the value of the services rendered by the municipal police, I have directed municipal presidents to render a fortnightly report to my office in accordance with the inclosed form marked "Exhibit B." ^a

During my tour of inspection I recommended the construction of buildings of materials available in the locality in the barrios to serve as offices for the local councilors and as stations for the rural guard, in order to carry out the purposes of subsection (a) of section 38 of the municipal code. These buildings are to be used on Sundays and holidays for the purpose of holding popular conferences presided over by the local councilor of the barrio, upon the resolutions and ordinances passed by the council, the rights and duties of the Filipino citizen as set forth in the constitutional act of the Philippine Islands and the laws affecting the persons or property of citizens.

^a This form is on file in the War Department.

From reports received from municipal presidents I have noted that the theft of carabaos is frequent, from which I infer that there is an organized band of robbers in this province engaged exclusively in the business of stealing carabaos to be sold in other provinces. The opportunity and facilities offered by the railroad for the transportation of animals are so great that no formalities or requirements relative to proof of ownership are exacted. I have made certain investigations with reference to this fact which is to a large extent responsible for the depressed condition of agriculture, and with the assistance and information furnished by Señor Sandiko, the provincial governor of Bulacan. I have succeeded in discovering the names of some members of this band, but I have not sufficient concrete evidence to order their arrest and turn them over to the courts of justice; however, I have adopted measures to keep the trail of said criminals. I have enjoined the assistance of the municipal police and rural guards, who have in some cases been able to recover stolen carabaos and to bring about the death of one thief in the hills of Nueva Ecija; the facts in this latter instance have already been reported to the central government.

PUBLIC HEALTH AND SANITATION.

According to the census of 1902, this province has the following number of inhabitants:

Americans	103
Filipinos	435, 298
Europeans	32
Chinese	590
Other Asiatics	11
Total	436, 034

The mortality statistics for this province in 1904-5 and 1905-6 are as follows:

1904-5:	
Births	18, 940
Deaths	12, 607
	6, 333
1905-6:	
Births	21, 083
Deaths	11, 557
	9, 526
Total natural increase	15, 859

The above figures show an increase in the population of this province between 1903 and May 31, 1906, of approximately 4 per cent.

The thirty-two municipalities of this province have only 24 presidents of municipal boards of health. The latter made 59,564 vaccinations in all of the pueblos throughout the province between July, 1905, and June, 1906.

The public health in general is unexcelled and the sanitary conditions of the pueblos are excellent, according to information from the provincial board of health.

POLITICAL, SOCIAL, AND RELIGIOUS CONDITIONS.

During the period embraced by this report nothing has happened in this province affecting peace and tranquillity.

The last municipal and provincial elections were held in a most orderly manner; there were several protests which were duly acted upon by the provincial board, whose decisions have been satisfactory to the protestants and respected by them.

In order to do away with the vice of gambling, that unfortunately is widespread and deep rooted in this province, I have suggested to presidents and municipal councils the adoption of ordinances tending to the absolute prohibition of games of hazard and chance and to the restriction of cock fighting, in accordance with the provisions of subsection (j) of section 40 of the municipal code.

On the 11th instant Mr. Kincaid, president of the Philippine Moral Progress League, started popular meetings in some of the pueblos of this province, with

the object of inculcating a hatred for the vice of cock fighting, which resulted in the resolutions of the municipal councils of Lingayen, Binmaley, Dagupan, San Carlos, Bautista, Urdaneta, Rosales, and San Isidro to close the cockpits, and I understand that other municipal councils in this province have also adopted similar resolutions.

With regard to this particular I take the liberty of expressing my opinion that cock fighting has spread to such an extent that it is no longer mere sport or amusement for the people, but now constitutes a veritable vice followed by a secula of crimes, the ruin of families, and an inexhaustible opportunity for exploitation on the part of certain well-to-do persons who pride themselves on being the directors of the people, and I am therefore of the opinion that a law should be enacted restricting this form of gambling to the greatest possible extent at once.

The following table shows the criminal causes brought up before the court of first instance of this province during the fiscal year:

Number of causes begun.....	179
Convictions.....	62
Acquittals.....	18
Dismissed.....	25
	105
Pending trial.....	74
Total.....	179

The following prisoners were in the provincial jail on June 30, 1906:

Held over by the court of first instance.....	35
Sentenced by the court of first instance.....	26
Sentenced by the justice of the peace courts.....	1
Total.....	62

There are three religious sects in this province: Roman Catholic, Philippine Church, and Methodist Episcopal congregation. All of their followers conduct themselves as peaceful citizens, mutually respect their religious creeds, and give no trouble to the authorities.

There are 16 settlements of non-Christian tribes in this province, as shown by the following table:

Municipality to which belonging.	Denomination.	Number of inhabitants.
	Labayog.....	692
	Calunetan.....	82
	Palbit.....	158
Pozorrubio.....	Alibeng.....	256
	Maloquiad.....	46
	Bacayao.....	105
	Inmalog.....	85
Asingan.....	Lubas.....	103
	Pinmilapil.....	116
	Cauringan.....	273
San Fabian.....	Esperanza.....	244
	Agat.....	514
	Bulaoen.....	65
Umingan.....	Felicidad.....	150
San Nicolas.....	Talancafor.....	43
	Camantiles.....	
Total.....		2,932

The number of inhabitants in the settlement of Camantiles has not yet been ascertained, as this office has not received a list of same.

Each one of the settlements has its local constituted authorities and police armed with bolos, all of whom have been elected by the suffrage of the inhabitants. I have not yet had time to visit them, but after doing so I will be able to consider the advisability of making the provisions of act No. 387 applicable to same.

NATURAL RESOURCES.

There is immense forestry wealth in State lands lying within the jurisdiction of this province, consisting in a great variety of timber for all sorts of construction purposes, such as nito, rattan, anajao, abiang, and many others which I now refrain from describing on account of not having precise information, hoping that I may be able to do so at some other opportunity.

Respectfully submitted.

ISABELO ARTACHO,
Governor of the Province of Pangasinan.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF RIZAL.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF RIZAL,
Pasig, June 30, 1906.

SIR: I have the honor to submit the following report for the fiscal year ending June 30, 1906:

AGRICULTURE.

Agriculture in this province, though leaving much to be desired, is improving notably, so that it can be affirmed that the production last year was in excess of ordinary consumption. While formerly two-thirds of the land was not under cultivation, now relatively speaking only a small part is uncultivated; this is due to the fact that the farmers in this province, at the cost of great effort and sacrifices, have been successful in acquiring work animals from neighboring provinces.

Sugar has improved in price to a notable degree; formerly the pylon of the third class was quoted at only from ₱1.75 to ₱2, but now it is impossible to get it for less than ₱3 or more. It is unnecessary to state that pilones of the first and second class have advanced in price, so that it is now three times what it formerly was.

Palay, like corn, a staple article of food, has likewise improved in price, quantity, and quality.

The notable and growing production of ilang-ilang flowers, betel leaves, and vegetables has become a principal factor in agriculture and in the prosperity of the farmer.

At present the cultivation of the maguey is being studied; everything possible is done to improve the planting and cultivation of cacao, hemp, and sesame.

The plantain, pineapple, and peanut, as well as the sweet potato, have also been of no less aid to the agriculturist.

I think that the establishment here of an agricultural bank with government capital would greatly improve production, as the farmers of this province show the greatest desire to conform to the requirements imposed by agricultural science, but the lack of capital and the use of antiquated and legendary agricultural implements frustrate these grand desires.

INDUSTRY.

As an addition to the industry of the manufacture of mats carried on in Tanay and Pililla, can now be mentioned that of hat making. These hats are somewhat similar to the Panama, and I believe that the quality will be improved in view of the great demand.

The shoemaking industry of Mariquina has greatly improved; shoes with rubber soles are now made, as good if not better than the European product.

Another industry which has notably improved is fishing. There have just been introduced at Malabon and Navotas oyster beds which are kept and cared for with the greatest diligence and attention.

The making of lime is an industry that will improve with time. Already it is planned to utilize it in connection with the manufacture of cement. This industry is known in the pueblo of Binangonan.

Duck raising is giving profitable returns to the duck farmers of Pateros. From two to three thousand eggs are daily furnished by this industry to the confectioners and bakers of Manila.

Experiments are at present being made in chicken and hog raising in Antipolo by an American living in the said pueblo, who expects to derive great profits from the business. He has planted three or four hectares of land to corn, sweet potatoes, and turnips, to be used as food for his chickens and hogs.

Satisfactory results are obtained from the industry of packing fish in brine, conducted in the pueblos of Angono and Tugulig, every possible effort being made to improve the product.

Salt making is conducted in the pueblos of Parañaque and Las Piñas without any capital other than a little patience and work. It amply provides for the wants of the inhabitants of those towns. During the dry season large quantities are made and stored to be sold in the wet season at a good profit.

The industry of jusi weaving in Caloocan and Malabon is languishing, owing to the rude competition of the jusi and sinamay from Iloilo which are of inferior quality.

The manufacture of china and porcelain in San Pedro Macati by Messrs. Roxas & Sons promises to be one of the most profitable of the new industries lately introduced into this country. Hundreds of Filipino operatives are daily employed there under the direction of competent experts.

The manufacture of tiles and cement flooring and of flower pots, earthen jars and brick at San Felipe Neri also brings large profits.

The making of small articles out of cane is one of the promising industries of Taytay and Tugulig. In these pueblos furniture and chairs are made of cane, as to which it is difficult to say what should be most admired about them—the patience and skill of the hands weaving and making them or the relatively short time employed in their manufacture.

Pottery making at Pasig, which consists in the manufacture of vessels and ornamental articles executed with great nicety and art, is also worthy of attention. From a little clay the desired shape is fashioned with the greatest ease; the product thus obtained is placed in the sun to dry and later subjected to a high temperature in a kiln: thus large water jars, flower pots, braziers, and an endless number of articles are easily made. Earthen jars and vessels manufactured in Pasig supply the markets of the province of Bulacan, Bataan, Pampanga, La Laguna, Cavite, and Batangas.

COMMERCE.

Commerce in the true sense of the word does not exist here, with the exception of that which refers to rice and sugar in pilones.

There is small retail trade in fish in brine, mats, hats, wooden shoes, shoes, slippers, lime, caña-espina, rattan, lumber, peanuts, ilang-ilang, betel nut, bananas, sweet potatoes, arrowroot, vegetables, hogs, eggs, chickens, and an endless number of other articles which it would be difficult and superfluous to mention.

The inhabitants of this province, who are genuine agriculturists, can be said to live on the products of the soil. Caloocan, Mariquina, and San Francisco del Monte raise garden truck which supplies the markets of Manila.

Later, when the maguey, hemp, and cacao plantations and sugar estates give the results hoped of the them, the word commerce may find a proper place in a report of this province.

PUBLIC WORKS.

By the abolition of the office of provincial supervisor, a saving has been made and the principal roads of the province have been put into a passable condition.

The old roads of the district of Morong, that since the establishment of civil government have been neglected, will soon be reconstructed, the sum of ₱6,000 having been lately appropriated for that purpose.

The stretch of road between Montalban, San Mateo, Mariquina, Pasig, Malapad-na-bato, and Fort McKinley, as far as its junction with the Santa Ana road, is in unexcelled condition.

The road between Taytay and Antipolo has been repaired and placed in as good condition as possible for the use of pilgrims to the shrine, but unfortunately the last stretch, owing to the slight nature of the repairs or to the early rains, is now entirely out of repair.

Several bridges and culverts have been reconstructed on the stretch of road between Pasig and Montalban, as well as between Cainta, Taytay, and Antipolo.

It is planned to reconstruct, or rather to replace the wooden bridge across the Nanka River at San Mateo by another and more solid one. This bridge is used by the military and constabulary stationed at San Mateo and Montalban. If

it were to be done away with it would be impossible for horses or wagons to cross, especially at this time of the year, when the San Mateo River usually floods its banks.

The district engineer has planned to make a final and definite improvement of the wagon road from Pasay to Bacoor. Its cost is estimated at \$10,500.

It being my opinion that not only the residents of Las Piñas, Parañaque, Malibay, and Pasay will avail themselves of this road, but that it will also greatly benefit the provinces of Batangas, La Laguna, and Cavite, I have rejected the plan, first, on account of lack of funds, and second, because I consider it an interprovincial road which should be built by the provinces it benefits.

An appropriation of ₱2,000 has just been made for fixing the road from Pasay and Parañaque to Camp Heyson, the constabulary post at Pamplona.

PUBLIC BUILDINGS AND SCHOOLS.

It can be stated with some show of pride that in all the pueblos and barrios of some importance there are schoolhouses, many of them of solid construction, where children of both sexes are educated, and which are in charge of competent professors and teachers.

In Pasig, besides the primary schools, central and barrio, we have the high school and the industrial school, where the normal course was held this year on account of its great capacity.

Malabon, aside from its primary barrio schools, has other higher ones taught by competent professors. On the site of the old Princesa cigar factory a school is under construction which will be devoted to industrial teaching. Practical courses in pisciculture, floriculture, and arboriculture in their different relations with agriculture will there be given. An aquarium will be constructed for the breeding of fish, there will also be a section where the construction of minor vessels, such as cascos, buncas, boats, etc., will be taught.

At Pasay there is a school of practical agriculture and horticulture where young pupils are instructed in the handling of the tools and implements of husbandry and their application to different classes of cultivation.

At the industrial school in Pasig cabinetmaking, tool making, ceramics, and everything connected with the manufacture of furniture and articles of luxury, both in wood and in iron, clay, and wax, are taught.

At the schools in Morong and Tanay girls are taught arts suitable to their sex, such as embroidery in silk, gold thread, worsted, and chenille on canvas. The art of weaving hats out of burl, sabutan, and pandan is also taught. Instruction is also given in the manner of weaving mats out of the materials mentioned and of coloring and embroidering same.

In Caloocan the weaving of just is taught, and in Parañaque embroidery on piña.

HEALTH.

I write this report under the painful impression made upon me by the presence of cholera in several pueblos of the province, of which Tanay and Pasig have been the most severely chastised. The president of the provincial board of health, Dr. Julio Ruiz, has not given himself a minute's rest in attending to the sick, while Doctor Clements, of Manila, passes days and days in the pueblos studying the course of the disease and adopting measures for arresting it.

It is believed, not without grounds, that this terrible scourge came from the pueblo of Lilio, in La Laguna, and later invaded Tanay and its environs.

As a first measure to avoid the ravages of the disease, the sale of vegetables in the markets has been prohibited.

The Marikina River is effectively patrolled by troops of the Regular Army for the purpose of avoiding the contamination of the water by the natives.

At San Pedro Macati three large wells have been opened, so that now the residents have a good supply of pure water.

In nearly all of the pueblos cesspools have been opened for the deposit of fecal matter.

In all of the pueblos a house-to-house search is made daily by the municipal president, accompanied by the municipal doctor, in order to prevent the concealment of persons attacked by the disease.

All houses and premises occupied by persons stricken with cholera are also daily inspected and fumigated. In short, nothing is left undone to avoid the spread of the disease.

REORGANIZATION OF THE MUNICIPAL POLICE.

I have in hand the plan for the reorganization of the municipal police of the pueblos, and it is my idea to divide the province in three districts.^a

I believe that if the municipal police were to be reorganized in the manner indicated we should have a much cheaper and more efficient service; my only doubts are as regards the ability of each of the pueblos to pay its pro rata of the expenses. It is upon this point that all of my difficulties and doubts are centered.

I am also of the opinion that the control of the municipal police should be taken away from the councils, if it is the desire to have a better organized and efficient body worthy of the work it has to perform.

I shall soon submit my proposed reorganization scheme to the honorable secretary of commerce and police.

POLITICAL CONDITIONS.

The political condition of the province during the past four years has improved remarkably. When I took charge of the province in November, 1902, I found it completely overrun with bandits; armed bands marauded in field and town under the command of the notorious outlaw leaders Luciano San Miguel, Julian Santos, Faustino Guillermo, Natalio Austria, Apolonio Samson, and others who had a combined force of over 300 men armed with over 300 firearms, counting rifles and revolvers, besides other arms.

In those dark days opinion was greatly divided; many there were who, through fear, timidity, or sympathy went over to the ladrones and acted as their agents and spies, while they shared the fruit of their depredations and raids.

Subsequently calm was restored, a consequence of the policy of attraction by me displayed, and then all was changed.

But as perfect happiness does not exist in this world, I later learned of a new and vast conspiracy concocted behind my back, at the very pueblo of Mariguina, by Macario Sakay and his followers. With great tact and prudence I was able to get possession of all of the documents of this new association, which I placed in the hands of Governor Wright.

Then the governor-general with unprecedented tact gave me instructions as to the course I should follow; I faithfully complied with them, and again calm and confidence reappeared between the people and their government.

I have made reference to this history to demonstrate the variety of changes that have taken place from that time to this.

Sakay, with Carreón and Marcos Angeles, formed a triumvirate of force; organized their troops in the mountains of this province at the same time that the constabulary made ready to pursue them, destroy them, and annihilate them. On different occasions and at different places the outlaw bands are valiantly attacked, resulting in the capture of their arms, the killing of some of their men, and the dispersion of the others.

As a result of the perseverance of the constabulary, tranquillity is restored, agriculturists patiently work their fields, the theft of work animals decreases, and everything appears to smile upon the long-suffering and industrious farmer.

Sakay and Carreón inhabit the depths of the forests and mountains; they now fear to descend to the plains, but pursued and harassed wherever they are, they hatched a plot which did not work out as well as they expected. Sakay orders two of his most notorious captains, Bacal and Cervantes, to sack the town of Barás and fetch all the booty they can carry; the inhabitants, on the other hand, come to the defense of the pueblos and a fight between citizens and ladrones follows. Bacay falls dead as the result of a bolo wound, and Cervantes, likewise cut down, is taken prisoner.

Weeks afterwards other thieves are caught at Quisao, by order of the councillor of Piliña, named Lorenzo Martinez, who captured three rifles from the ladrones.

On the night of March 1, last, the terrible Cornelio Felizardo fell, never to rise again. It was in a barrio of the pueblo of Las Piñas, not far from Camp Heyson.

Taking all of these circumstances into consideration as a whole, and adding to them the surrender of Sakay and Carreón, it can be fearlessly asserted that brigandage in the province of Rizal has reached the end.

^a The proposed plan is omitted and is on file in the War Department.

There are, however, a few bands of cattle thieves engaged in lifting carabaos; they come, as a rule, from Bacoar and Imus, in Cavite. For my part, I do not neglect to strike them whenever possible.

The late municipal elections were held in the midst of the greatest harmony, without friction or disturbance, except those in Malabon, which have not yet been decided.

I am constantly more and more convinced of the utility and efficiency of the constabulary; and though it is true that this organization has been looked upon with great prejudice by some, I can in no way agree with their ideas; I am not blind to the defects of the organization, but they can be remedied, and so a degree of perfection attained.

The best military organizations, acknowledged as such of their kind, are not free from defects; if the professional military man is not entirely free from censure, what shall we expect of the semiprofessional military man?

URGENT NECESSITIES.

The province is urgently in need of a provincial building to contain a jail; only by having such a building can it hope to be able to make any considerable saving.

At present the provincial offices are installed in private buildings, at a monthly rental of ₱115.

The lack of a provincial jail is costing the province the sum of ₱2,272.77 for care and feeding of prisoners in Bilibid. If we had a proper building, a great deal could be expected from the labor of these prisoners that others are getting the benefit of now, while the province is paying for their food, care, and custody.

FINANCIAL CONDITIONS.

The province is at present in better financial condition; its expenses have been reduced, with the sole aim of introducing economy in the service; the office of register of deeds, at ₱112 a month, has been abolished, and the work turned over to a clerk; the office of provincial doctor, at ₱200 a month, will soon be done away with; that of provincial supervisor, at ₱300 a month, has likewise been abolished, and the same thing is true as regards the interpreter, at ₱85 a month; one deputy of the provincial treasurer, at ₱100 a month, and 1 clerk, at ₱30 a month.

If the foregoing amounts are added up, it will be seen that saving in salaries and wages is ₱827; and, if we further add other subordinate positions which have been abolished, the monthly saving will foot up over ₱1,000.

PUBLIC INSTRUCTION.

The province of Rizal is at present divided into eight school districts, each of which is in charge of a supervising teacher whose principal duty is to inspect all of the municipal schools within the district in his charge. The distribution of the said districts, with the names of their respective inspectors and municipalities, is as follows:

District.	Municipalities.	Inspectors.
First district	Malabon and Navotas	Grant R. Lynde.
Second district	Caloocan	John Eagan.
Third district	Pasay, San Pedro Macati, San Felipe Neri	A. M. Green.
Fourth district	Parañaque	Vacant.
Fifth district	Pasig and Taguig	E. W. Montgomery.
Sixth district	San Mateo and Marikina	A. F. Cassidy.
Seventh district	Antipolo and Taytay	James O'Hara.
Eighth district	Binangonan, Tanay, Morong, and Pililla	Henry C. Ruppenthal.

In addition to the municipal schools established in all of the municipalities of the province of Rizal, there is a high school in the provincial capital, Pasig, which is in charge of the principal, Mr. C. A. Belknap, and six American teachers; an intermediate school at Malabon is under the direction of Mr. Wm. F. Montavon, assisted by four American teachers and one Insular female teacher; another intermediate school in Morong, under the supervision of Mr. Henry Ruppenthal and an American female teacher; and another in the municipality of Pasay, under the direction of Mrs. M. A. Swift.

TEACHERS.

There are at present in the province of Rizal 21 American teachers, 8 insular teachers, and 141 municipal teachers.

The 21 American teachers assigned to this province are distributed as follows: 7 supervisors in the school districts; 3 of them are principals of the high school at Pasig and the intermediate schools at Malabon and Pasay; the other 11 are distributed among the high school at Pasig and the intermediate schools at Malabon and Morong.

INSULAR TEACHERS.

Of the 8 insular teachers assigned to the province of Rizal, 6 of them are principals of the central schools of Pasig, Morong, Marikina, Binangonan, Pililla, Montalvan, and the intermediate school at Malabon, and another at the central school of Pililla. Both of the two last mentioned are women.

MUNICIPAL TEACHERS.

There are at the present time 141 municipal teachers appointed to this province—79 men and 62 women—distributed among the municipalities in the following manner:

Antipolo.—Five male teachers and 1 female teacher, receiving salaries varying from ₱10 to ₱25 each.

Binangonan.—Four male and 2 female teachers; maximum salary, ₱20; minimum, ₱13.

Caloocan.—Four male and 3 female teachers; salaries from ₱20 to ₱50 a month. But one teacher, the principal of the central school, receives the maximum salary.

Malabon.—Eleven male and 9 female teachers; minimum salary, ₱15; maximum, ₱50.

Marikina.—Three male and 3 female teachers; salaries from ₱15 to ₱20.

Morong.—Five male teachers and 1 female teacher; salaries from ₱15 to ₱30.

Navotas.—Three male and 5 female teachers; salaries from ₱15 to ₱50.

Parañaque.—Four male and 3 female teachers; salaries from ₱10 to ₱30.

Pasay.—Two male and 8 female teachers; salaries from ₱15 to ₱40.

Pasig.—Ten male and 7 female teachers; salaries from ₱20 to ₱30.

Pililla.—Five male teachers and 1 female teacher; salaries from ₱10 to ₱25.

San Felipe Neri.—Five male and 3 female teachers; salaries from ₱15 to ₱50.

San Pedro Macati.—Two male and 3 female teachers; salaries from ₱10 to ₱30.

San Mateo.—Six male and 3 female teachers; salaries from ₱15 to ₱40.

Taguig.—Five male and 5 female teachers; salaries from ₱12 to ₱25.

Tanay.—Two male and 3 female teachers; salaries from ₱15 to ₱35.

Taytay.—Three male teachers and 1 female teacher; salaries from ₱20 to ₱35.

AVERAGE DAILY ATTENDANCE.

The average daily attendance for the month of March, before the end of the last school term, was 4,071 boys and 2,254 girls in all of the primary schools of the province of Rizal, including the first, second, and third grades, as laid out by the director of education, 128 boys and 41 girls belonging to the different intermediate grades; in all a total of 4,199 boys and 2,295 girls, so that the daily average attendance in the public schools of Rizal during the month of March last was 6,494.

SCHOOL BUILDINGS.

There are at present in the province 48 school buildings belonging to the province and the municipalities. Many of them were erected during the time of Spanish government, others with Congressional relief funds, and the balance with the general and school funds of the municipalities. There are also 36 buildings of private ownership rented for school purposes. The rent of these buildings costs the municipalities about ₱367 a month. We have therefore at the present time 84 school buildings throughout the province, distributed in the following form:

Antipolo.—One central school and one in the barrio of Teresa erected during the time of the Spanish government. In the barrio of Bosoboso there is a private building used for a school which rents for ₱5 a month. There are therefore three school buildings in Antipolo.

Caloocan.—Five school buildings. One, the central school, was constructed with Congressional relief funds, while 4 in the barrios of Talipapa, Novaliches, Baeza, and Balintauak are private property and cost the municipality a monthly rental of ₱25.

Binangonan.—Six school buildings, 2 central and 1 in each of the barrios of Pilapila, Darañgan, Angono, and Janusa. One of the central schools was built with Congressional relief rice.

Malabon.—This municipality has a school building erected with Congressional funds, which is in the barrio of Tinajeros, in addition to 6 private houses in the barrios of Concepcion, Flores, Bayanbayanan, Dampalit, Tonsuya, and Moson, which cost the municipality the sum of ₱99 a month for rentals; aside from this, two rooms in the municipal building are used as a central school.

Mariquina.—Four buildings used for schools, one in the center of the town, rented by the municipality for ₱30 a month. The other 3 are in the barrios of Bayanbayanan, Tañong, and Calumpang, constructed with municipal funds.

Morong.—Five school buildings; the central school, which was formerly the building of the old Gobierno Politico-Militar del Distrito de Morong and was ceded by the government for school purposes, and for the repair of which Congressional relief funds and an appropriation made by the municipality of Morong were used; in addition there are school buildings at Cardona, San Guillermo, Lagundi, and Lambac, constructed with Congressional relief funds.

Navotas.—Four school buildings; 2 in the barrios of Tañgos and Tansa, which belong to the municipality; 2 in the barrios of San José and Bagonbayan, which are private property rented by the municipality for ₱20 and ₱15 a month, respectively.

Parañaque.—Three school buildings; 1 in the center of the town and another in Laspiñas, constructed with Congressional relief funds, and another in the barrio of Baclaran, which is rented by the municipality at a monthly expense of ₱4.

Pasay.—Five school buildings, one the central school in the municipality, another the Maricaban school, located in the municipal building of this former municipality, and three privately owned buildings in the barrios of San José, San Rafael, and Malibay, which cost a monthly rental of ₱24.

Pasig.—Twelve buildings used for school purposes. The central school is located in the building known under the name of Tribunal de Naturales, the upper part only being used as a school, the lower being occupied by the municipal offices. This building was repaired with Congressional relief funds and school funds of the municipality of Pasig. The schoolhouses at Caniogan and Pinagbuhatan belong to the municipality. Besides these there are nine other buildings used for schools in the barrios of Santolan, Rosario, Ogong, Palatiw, San Miguel, Buting, Pineda, Bagong-ilog, and Bagong-bayan, which are rented by the municipality at a cost of ₱15 a month.

Pililla.—Four school buildings, one of them considered as the central school, in the pueblo of Pililla, was constructed with Congressional relief funds; the other three correspond to the pueblos of Quisao, Jalajala, and Bagombong, but all are the property of the municipality of Pililla.

San Felipe Neri.—Five school buildings, two of them used for central schools, are owned by the municipality, as is also the one at San Juan del Monte. The central girls' school and those of the barrios of Jolo and Namayan are private property and cost the municipality ₱22 a month for rent.

San Pedro Macati.—Two school buildings, one the central school and another in the barrio of Culiculi which cost the municipality ₱20 for rent. The municipality has planned to buy the building occupied by the central school, and it is hoped that the deal can be made with advantage to the municipality.

San Mateo.—Four school buildings, two of them at San Isidro and Montalvan belong to the municipality; those at the barrio of Mali and the central school are private property and cost the municipality a monthly rental of ₱37.

Tuguiig.—This pueblo has seven municipal school buildings. Five of them are owned by the town; they are: the schools at Tipas, Hagonoy, Agojo, Muntinlupa, and Cupang. The last two are closed on account of the municipality lacking the funds to pay salaries of teachers, besides which they were some what damaged by the last storm and have not yet been repaired. The schools at Tipas, Hagonoy, Muntinlupa, and Cupang were erected with Congressional relief funds. The school at Agojo was formerly the presidencia municipal of Pateros. The central school and that of the barrio of Ususan are private property and cost the municipality the sum of ₱15 per month for rent.

Tanay.—This municipality has two school buildings, the central school in the pueblo of Tanay itself and the other in the barrio of Baras. Both buildings have been the property of the municipality since the last rule and were recently repaired with Congressional relief funds.

Taytay.—Two school buildings, one a central and the other in the barrio of Cainta. Both were built with Congressional relief funds.

Besides the buildings above described two others have recently been built, the industrial school at Pasig and the intermediate school at Malabon, located in the old Princesa cigar factory. The industrial school at Pasig, though not completed, is being used as such. Up to the present time ₱8,000 have been expended upon it. A part of this money was given by the insular government and a part by the provincial government of Rizal. It is built of strong materials and has a galvanized iron roof. The intermediate school at Malabon is also being used, ₱9,000 have been invested in the work, ₱8,000 of which was donated by the municipality of Malabon.

A great part of the school buildings which belong to the municipalities of this province require repairs, but, unfortunately, these can not be made in view of the distressing financial condition of the pueblos.

CONDITION OF THE SCHOOL FUNDS.

As a rule, the part of the land tax and internal revenue collected by the municipalities for school funds is insufficient; so that those municipalities which have hoped to cover their expenses for schools from these sources found that they were short about the middle of the fiscal year. The only way that they have been able to keep the schools open is by sacrificing their general funds to education, by transferring the necessary amounts to the school funds as a donation.

I give hereunder, in a broad manner, an account of the financial condition of each of the municipalities.

Antipolo.—The municipality of Antipolo has a sufficient balance in school funds and in what it will collect this year from the land tax and the internal revenue at least to pay salaries of teachers, rent of the Bosoboso schoolhouse, and other contingent expenses.

Binangonan.—The municipality of Binangonan, in spite of being classified as of the third class and of having the expense only of teachers' salaries, has not enough to discharge this obligation, as to date it has not yet paid the teachers' salaries for the month of April, 1906, or any subsequent month. For this reason the division superintendent of schools had to reduce the number of teachers in Binangonan by transferring them to municipalities having larger assets.

Caloocan.—Up to the present time no information has been received regarding the condition of the school funds of this municipality, though it is presumed that they are in good condition.

Malabon.—This municipality has ample funds and is of the second class; yet it would be impossible for it to meet its obligations with respect to education with the school funds only, as its school expenses amount to ₱600 a month. For this reason Caloocan has appropriated from general funds the sum of ₱5,700 for school purposes during the past term.

Mariquina.—The municipality of Mariquina was obliged to make an appropriation from its general funds of ₱645 as a donation to the school funds in order to meet educational expenses during the past year. The maximum salary paid municipal teachers is only ₱20 a month.

Morong.—The municipality of Morong has a hard time meeting its necessary educational expenses in spite of the fact that they include only salaries of teachers.

Narotas.—This municipality, since its separation from Malabon in April, 1906, until the month of June has been able to get together the sum of ₱964.47 for school funds.

Parañaque.—The municipality of Parañaque is in a fairly good condition as regards school funds, it having been able during the past school year to meet all educational expenses.

Pasay.—The municipality of Pasay has at present ₱7,000 in its school funds though ₱6,050 of this amount has been appropriated for the construction of a central schoolhouse. It is hoped that this municipality may be able to construct, at its own expense, schools in the barrios of Malibay, San Rafael, and San José instead of continuing to pay rent as it is now doing.

Pililla.—This is one of the municipalities which may be considered poor as regards its school funds. Nor has it any general funds to donate for school purposes. It is for this reason that it has been thought wise to send two insular teachers to take charge of the central school. The salaries paid teachers in this municipality, with the exception of the one at Quisao, who gets ₱25, vary between ₱10 and ₱20 a month.

San Felipe Neri.—The municipality of San Felipe Neri is at present in a better financial condition, and it is hoped that when it shall have increased its school funds it may be able to construct schoolhouses of its own instead of having to pay rent.

San Mateo.—This municipality is another having a good school fund, and it is hoped that it will also construct a central schoolhouse instead of continuing to pay rent.

San Pedro Macati.—The municipality of San Pedro Macati has also improved the condition of its school funds.

Tuguiig.—Although this is a third-class municipality and on account of the lay of the land needs a large number of schools, the deficiency of its school funds is such that it often lacks the necessary money to pay its immediate needs. There is no doubt that schoolhouses should be located at the barrios of Napidan, Cupang, Sucat, Alabang, Muntinlupa, and Tunasancillo.

Tanay.—The municipality of Tanay is also one which has greatly improved its school funds.

Taytay.—This is one of the poorest as regards school funds. Months pass without the teachers being paid, owing to lack of funds. During the past fiscal year one teacher was withdrawn, reducing the force to four teachers in charge of the schools of Taytay and Cainta. Notwithstanding this measure the municipality is unable to pay regular salaries.

To sum up, the municipalities of Binangonan and Taytay will continually be hard up and unable to guarantee the teachers payment of their salaries at the end of each month unless they transfer some part of their general funds to their school funds. On the other hand, all other municipalities of the province, including Pililla and Taguig, have done and will do all that they can to support education in their respective municipal districts.

To complete this survey I am going to take the liberty of inserting hereunder the programme outlined for the school term for 1906-7, by Mr. E. A. Coddington, the new superintendent of this division:

“In view of the short time that has passed since the undersigned assumed the office of division superintendent of schools of this province, it is very difficult for him to formulate the true programme which the schools of this province should follow. It is my desire, however, not to modify the system of education at present in progress, and if any change is ever made it will not be a radical one. I also believe that the attendance in all the schools should be increased, in view of the fact that according to the estimated school population of this province the present attendance is comparatively small and falls far short of what should be expected. I likewise believe that the most important thing for the future of the schools in this province would be the establishment of industrial work and its natural development in connection with the regular work of the schools of this division. The province of Rizal, almost at the doors of the capital of the Philippine Archipelago, ought to be one of the richest and most prosperous provinces in the islands. The undersigned is not of the opinion that the study of arithmetic, geography, and language will alone make our children later become industrious men and active women; there are already enough persons devoted to professional work, and the number is larger than is needed. There will be competition for the positions to be gained by persons who devote themselves to professional pursuits, and even those who secure the places will not be well compensated until such time as the country becomes prosperous. During the past year over \$4,000,000 have been sent out of the Philippines for the purchase of rice for the people. If the rice necessary for food were sufficient to meet the domestic demand the Philippines would certainly not have had to send out those \$4,000,000, and clearly the money would have remained at home and we would be that much ahead. For this reason it is the desire of the superintendent who subscribes hereto to establish school gardens in connection with all the schools in this division and to teach the best method of cultivating the common seeds used by the people. It is also believed that this province is rich in clays and kaolin that are of indispensable value in the manufacture of brick, porcelain, and tiles. There is at present quite a large

importation of these articles from Europe, and I believe that the demand for them will be on the increase within a very short time; for this reason it is my desire, at the places where the raw material is found, to furnish instruction in the making of pottery and clay models in order later to give place to the manufacture of brick, tiles, and porcelain. The study of fishery has been established in connection with the intermediate school at Malabon and it will be developed as much as conditions permit. Carpentry, mechanical drawing, and ceramics are at present taught in connection with the secondary school at Pasig, and it is hoped that practical education in other industries may be given in connection with the schools of the province of Rizal."

The above is taken from the report of the division superintendent of schools.

I here conclude my report, which I forward to the governor-general in accordance with the provisions of act No. 1044. It is my hope to see this province more prosperous, happy, and further advanced along practical and positive lines during the coming fiscal year.

For my part, so long as I am the head of its government I shall endeavor to introduce every improvement of benefit, being sure that its happiness will also be mine.

Finally, I beg the honorable governor-general to continue, as up to the present time, to dispense his favor to this province, assuring him that by so doing he will not sow the seed in ungrateful and sterile soil.

Respectfully submitted.

A. DANCEL,
Governor of the Province of Rizal.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF ROMBLON.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF ROMBLON,
Romblon, July 14, 1906.

SIR: In compliance with the provisions of act No. 1044, I have the honor to report on the conditions of this province as regards matters pertinent to its administration and progress during the fiscal year ending June 30, 1906, as follows:

AGRICULTURE.

The principal products of this province are rice, the principal article of food of its inhabitants, hemp, cocoanuts, and tobacco. Corn, cacao, coffee, sugar cane, bananas, and other useful plants are also cultivated on a small scale.

The annual production of rice does not suffice for local consumption, so that the inhabitants of this province generally sell or exchange their hemp, copra, or tobacco for the purpose of providing themselves with rice from Manila or from other parts. The last crop of rice was fair, though in some pueblos it was quite small owing to the drought, locust plagues, and ravages of the worm known as the tagosto.

I ought to say in passing that all of the efforts of the inhabitants and work of the members of the locust board to exterminate these insects have not yielded satisfactory results, nor has the fungus had any effect, so that at the present date locust swarms exist in the islands of Simara, Tablas, and Sibuyan.

Like the rice, hemp and cocoanuts have also severely felt the effects of the drought, and there has been a falling off in production equal to that of last year. These two crops are the principal wealth of the province, and with the rise in price the number of coconut and hemp plantations in Romblon, Tablas, and Sibuyan has been increasing, the efforts of the municipal officials being always directed toward the encouragement of their cultivation.

Tobacco is grown on the island of Tablas in a larger quantity than in the rest of the province put together, being one of the most valuable resources of the said island.

Maguey is not cultivated in the island, though at several places in the province, especially along the seashore, this plant is found growing wild. How-

ever, a great deal of interest in its cultivation has been awakened in many through the reports they have heard of its acceptance in the market and its value, and some have already applied for Hawaiian seeds, that according to the director of agriculture, produce a fiber commanding a higher price, on account of its superior quality, than any of the species found in the archipelago.

As a general rule, it can be said that great efforts are being made to improve the present condition of agriculture.

INDUSTRY.

Industry is confined to the making of copra, the weaving of sinamay and piña, mats, bayones (sugar sacks), saguran, buri hats, and to fishery: all on a small scale. Cordage making is also an industry carried on in a small way.

That of copra manufacture has diminished considerably on account of the drought and locusts.

Very few are engaged in the manufacture of cocoanut oil, by reason of the fact that the inhabitants of this province prefer copra making, which is less trouble and has the advantage of finding a more ready sale than the oil.

One of the most valuable industries in the province is the making of mats, especially in the provincial capital, where the finest mats, costing as high as ₱40, are made.

COMMERCE.

The towns doing the most business are Romblon, Odlongan, and San Fernando, the principal objects of commerce being copra, hemp, tobacco, lumber, etc.

Three or four steamers a week visit this port for these articles, and also sometimes go to the ports of Odlongan, Looc, and San Fernando; but generally the products mentioned from the said pueblos and others are brought to this provincial capital.

Cattle are also the object of trade, many persons coming here from Capiz, Batangas, and Manila to buy carabao, cattle, and horses.

Hemp is quoted in this market at ₱25 a picul; copra, ₱8.50 a picul; tobacco, ₱6 a quintal, and lumber at ₱1 the cubic foot, for woods of the first, second, and third groups.

Business here is, as a general thing, progressing.

FACTORIES.

The only manufacturing known is restricted to the making of cocoanut oil, the weaving of native cloths such as birang, sinamay, sagurang, bayones, etc., and the making of hats and mats out of the buri fiber.

NATURAL RESOURCES.

In the islands of Sibuyan and Tablas are large quantities of fine building woods, the most notable being the Tiga, or ironwood, Molave, Narra, Camagon, Sibucan, Baticuling, Tindalo, Yacal, and others, which find a ready market. Balao, gum mastic, resin, as well as Malpajo oil, and other products of commercial value, such as rattan and palma brava, are also found.

The islands of Romblon, Banton, Simara, and Maestre del Campo are almost denuded of forests; but the first-named island has a marble of fine quality, while chalk is found in Banton. For some time back certain persons have been engaged in developing the marble quarries of Romblon, making baptismal fonts, mortars, and other articles from it, which they sell at good prices.

ECONOMICS.

During the fiscal year just ended the municipalities of this province have eked out a fair existence, though some of them have had a hard time doing it by reason of the economic crisis through which the province has been passing, which is the result of bad crops during the past five years and lack of money in circulation. However, they have always been able to meet their most necessary expenses, which have been cut down in some cases by reducing the number of officials and employees. None of the municipalities have gone into debt during the period covered by this report.

The land tax for the years 1903, 1904, and 1905 is still delinquent in many cases in the old municipalities of Banton, Corcuera, and Maestre del Campo, the reason being the same as has already been stated for the financial depression felt throughout the province.

FINANCIAL CONDITIONS.

The following statement refers to the condition of the provincial treasury as shown by the examination of the cash in the hands of the provincial treasurer made after the settlement of obligations on June 30, 1906:

Total cash balance \$298 and ₱22,576.90. Out of this amount ₱6,572.96 belong to general funds; ₱5,729.81 to road and bridge funds, and ₱7,722.23 to school funds.

As already stated, the municipalities have fared fairly well, and though some have done so with difficulty, all have been able to meet all their obligations, none of them being in debt.

PUBLIC INSTRUCTION.

There can be no doubt that education is progressing in this province; however, it appears to me that there is a need of competent teachers, as the number in charge of the public schools, the majority of whom are Filipinos under the supervision of an American teacher in each pueblo, is small in relation to the number of pupils daily attending the schools, some teachers having as many as 150 pupils in their charge.

Work has been progressing on the construction of the secondary school in this city since last November, and it is hoped that it will be completed about September or October at the latest. The estimated cost of this building was only ₱16,000, and already ₱7,000 have been spent on it. The greater part of the material, such as stone and lime and lumber, was donated by the pueblos of the province of Romblon, and this city, having no lumber, promised to furnish the labor for the transportation of materials, and for other work except carpentry, and also gave the land where the school is to stand, and some material such as stone.

PUBLIC HEALTH AND SANITATION.

The public health in this province is unexcelled, though during the fiscal year there have been some cases of smallpox of a mild type which caused no alarm. No other general disease of an epidemic character was known. Nor was there any sickness among animals.

As a general rule the provisions of law and ordinances relative to public health and sanitation are observed.

POLITICAL CONDITIONS.

This province has, as always, enjoyed an enviable peace. The municipalities are making constant efforts to improve their condition by working to promote education and fostering a love of work, convinced that this is the only road leading to progress.

The idea of gradually restricting gambling in as large a measure as possible has had its effect, as there is now only one cockpit in the entire province. This is due to the fact that no one is willing to take the risk of putting up a cockpit in many of the pueblos on account of their having to pay at least ₱200 for a license. This fact has had great influence in encouraging work and contributing to the advancement of many pueblos.

The above is all I have the honor to submit for your consideration in compliance with my duty.

Respectfully submitted.

BONIFACIO MARRON,
Governor of the Province of Romblon.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF SAMAR.

PROVINCE OF SAMAR,
OFFICE OF THE GOVERNOR,
Catbalogan, P. I., August 20, 1906.

SIR: I have the honor to submit the following report for the fiscal year ending June 30, 1906:

GENERAL CONDITIONS.

Conditions have improved not as fast as we desired during the past year, but substantial progress has been made. On July 1 of last year there were about 7,000 people generally referred to as "pulahanes," with about 120 guns. The leaders and a few more of these people were natural outlaws and have resisted the authority of the Government during the Spanish régime, and also resisted the authority of the Philippine provisional government, but more than 90 per cent of the people were ignorant fanatics, were not naturally bad, and in many cases were driven to the mountains by abuses of municipal officials. During the past year 6,400 of these people have been captured or have presented themselves to the authorities together with 70 rifles. Of this larger number, less than 100 were prosecuted, their leader, who burned the towns of Oras and Dolores in 1904, Cenicio Lazarra together with 4 of the worst characters, were sentenced to death, about 40 were given long terms in Bilbid prison, and about 50 sentenced to the provincial jail. The others were all released after agreeing to obey the law and submit to the constitutional authority. About 300 were killed in the various fights with the army, constabulary, and police, and I estimate that the total number of pulahanes now resisting the authorities to be about 250 or 300 men, with about 50 rifles.

Government settlements have been established in the interior of Samar at San José, Matuguinao, and Tagabiran, which has been renamed Ohio, and more than 2,000 people, all former pulahanes, are now living peacefully in these settlements. Schools have been established there and they are not only taught the English language, but are being taught agriculture, notably at San José, where the American teacher has learned the native dialect and, being a practical farmer himself, puts in two or three hours each day in teaching agriculture. Corn, palay, and other seeds have been furnished them by the agricultural department, and those little settlements are now self-sustaining and the people are perfectly satisfied and will assist the authorities as long as they are properly treated, but it will be necessary for a number of years to maintain a small army or constabulary posts in the vicinity of these settlements, which should be officered by men who take some interest in the people.

In March I went into what is known as Magtaon Valley, in the south central part of the island, with the object of doing the same as I had done in San José to get the surrender of the pulahanes that were out and to establish a settlement for them, and spent nearly a month in getting them together and negotiating with their chief, Otoy (Isidro Pompac), who finally agreed to surrender on March 24, and I feel satisfied by their actions that they intended to surrender in good faith, but something happened to change their minds the last few days, and, instead of surrendering, they treacherously attacked the constabulary detachment present, and except for the bravery and good judgment of Captain Jones, who was in command, they would have annihilated the entire force, thus giving them the prestige of victory and putting the Americans present, including the Hon. Charles S. Lobingier, judge of the court of first instance, and other officials, at their mercy. Fortunately, however, the pulahanes were defeated, but at a great loss of life, one-half of the constabulary detachment present being killed and several rifles lost. After this fight we called on the military to put more troops in the disturbed section of the country, and the department commander promptly complied with the request; has established districts with sufficient number of men and placed the entire field operations under Col. Fred A. Smith, an officer of great experience, who is not only an efficient army officer, but takes great interest in the administration of civil affairs and is friendly to the people of the province. The troops under him have been so active that the pulahanes have not committed a single depredation on the people since July 1 and have been constantly harassed and driven to the interior fastnesses of this province. There is no sympathy for these people among the Filipinos. Volunteers have been organized under the presidentes of the various towns and every assistance is being rendered by them. The military have con-

structed telegraph lines on the east coast of Samar, connecting all the important towns on said coast. We have completed our telegraph line from Catbalogan to Wright, thence to Camp Curry, a road camp in the center of the island, and we have secured authority to continue said line to Magtaon, thence to Taft on the east coast. This will greatly facilitate military movements, and I feel satisfied that by January, 1907, the remaining pulahanes now out will have been captured or killed. Every effort has been made by myself and other representatives of the government here to secure the peaceful surrender of this band, but they have failed and the interest of the good citizens demanded we take the aggressive steps that we have taken, and our financial condition was such that we were not able to go to the expense to accomplish this result; hence the use of the military.

The Wright-Taft road has been finished to Camp Curry, in the center of the island, and a branch $4\frac{1}{2}$ miles south to Magtaon will be finished by September 15. This will exhaust the appropriation, and it will require a further appropriation to finish this road to Taft on the east coast. We have reduced the expenses of the province to the lowest possible sum in order that we may be able to spend sufficient amounts to repair old roads and build new trails to our interior settlements and barrios, as in my opinion the building of roads and telegraph lines and a good set of provincial officials is all that is needed to maintain a good stable government in Samar after the destruction of Otoy's band of outlaws. Heretofore the means of communication have been very poor, and the delay in taking prompt action caused pulahanism to grow to such an extent that it necessitated first the large force of constabulary and then the army.

The suspension of the forestry tax for a period of five years has been of great benefit to the people of this province.

The proposed road law is not satisfactory, but with one or two slight amendments which I will take up in my recommendations it would be approved by the representatives of the people of this province.

POLITICAL CONDITIONS.

Political conditions in this province continue to improve; in fact it would be difficult for further advancement except along educational lines.

Municipal elections were held in all the 25 municipalities of this province last December, and with the exception of two or three municipalities the law was complied with in every respect, and in nearly every instance the best citizens were elected as presidentes and municipal councilors.

Abuses by the municipal officials have almost ceased, and complaints against said officials are becoming less.

At a meeting of the citizens of this province held last fall at Catbalogan, a committee consisting of 15 prominent citizens from different parts of the province was selected as an advisory committee to the provincial governor, the object being, first, to establish law and order by ending pulahanism; second, to encourage the people to cultivate their lands, build up their homes, and if they had grievances, to make complaints to the proper officials instead of going to the hills; third, to advance the cause of education among the Filipino people so as to prepare themselves for a greater participation in the affairs of the government. This committee is headed by Mr. Vicente Jazmines, who, together with his fellow-committeemen, have and are still continuing to work along the lines outlined, and through them, 13 rifles and several thousand people have presented themselves. The committee has spent money to assist in taking care of the unfortunate and to subsist volunteers while in pursuit of pulahanes, and it is not, as has been referred to, a peace committee, but it is to do whatever is best for the province of Samar. It is opposed to outlawry in every form, and several of its members, especially Eugenio Daza, of Borongan, have accompanied the military and constabulary and have led volunteer forces in person against the pulahanes. At a recent meeting of this committee and the municipal presidentes of this province, it was unanimously decided not to request the pardon of anyone convicted of bandolerismo until such time as law and order were established in this province. The committee have, after careful consideration, recommended that the former municipalities of Bobon, San Antonio, Dolores, Sulat, San Julian, Tarangan, and Santa Rita be reestablished as municipalities. The provincial board has concurred in these recommendations, and has forwarded the same to the honorable Philippine Commission. It is the desire of this committee and of all the good citizens of Samar that law and order be

established promptly and that Samar be given its representation in the coming Philippine assembly, and I agree very heartily with them. During my seven years' residence in the different provinces of these islands I have found no people better disposed toward the government, more anxious to advance along the lines of progress and civilization than the people of this province, with the exception of the few ignorant fanatics led by unscrupulous outlaws who will soon cease to be an important factor. There has been no religious disturbance of any kind, the people, with the exception of a few of the wild people, being all members of the Roman Catholic Church. They have recently been visited by the Right Rev. Thomas A. Hendrick, bishop of Cebu, who exercises great influence over the people of this province and has used that influence in the interest of the government. He has agreed, as soon as possible, to send some missionaries into these interior settlements that I have and intend to continue to establish in the interior of Samar, and these missionaries will have great influence with the wild and ignorant people, and it will go a great way toward making them better citizens.

FINANCIAL CONDITIONS.

The financial conditions of this province have improved since my last report, and the province of Samar will not only be self-sustaining, but will be able to spend some money on public improvements during the present fiscal year.

The destruction by the baguio of so many municipal buildings has necessitated the municipalities spending most of the revenue on hand for the purpose of rebuilding the same, and the additional expenses caused by the Pulahan troubles has been a great drain on the municipalities as well as the provincial treasury, but as a state of peace now exists in all except five municipalities of the province these extraordinary expenses have been reduced, salaries have been reduced, excepting the pay of police, and they have been reduced in numbers, so that whereas one year ago nearly all of the municipalities were in debt, now with three or four exceptions they are out of debt, and by the first of January, 1907, every municipality of Samar will be entirely out of debt, and many of them will have money to spend on public improvements. At the commencement of the present fiscal year there remained a balance in provincial general fund the sum of ₱10,278.89, road and bridge fund, ₱5,552.35, and deposited to the credit of the municipalities ₱20,162.75, and the provincial treasurer estimates that the provincial general fund will be sufficient to pay all the ordinary expenses of the province, and in addition thereto the extra expense incurred in assisting police and volunteers. The road and bridge fund is being used for the purpose of repairing old roads and constructing new trails to the interior settlements and barrios recently established, and after January 1, 1907, we will be able to pay the expenses of a small launch for provincial work, but as the coastguard boats and launches that have been used here during the past year have been used almost entirely for military purposes, the burden has been too much for the province to bear, but the coast guard boats have been returned to Manila, and the large coast guard launch *Guy Howard*, which we are now using, can be returned not later than January 1, 1907, and we could get along with a sail boat, with auxiliary steam power, that can be run economically, as it will not be necessary for the provincial officials to visit the east coast of Samar on launches. The early completion of the Wright-Taft road and the vessels belonging to the Tabacalera Company that have entered into contract with the Government, will make transportation both easier and cheaper. I am in favor of reducing the expenses of the municipalities to such an extent that they may have an efficient government with as little expense as possible, so that the collection of land tax may be deferred for three years instead of one, in order to give the people an opportunity to recuperate from the many disasters that have happened to the agricultural interest of the island during the last few years.

The internal-revenue law is a just law so far as it relates to a tax on liquors and tobaccos, but it seems to me that it could be simplified so as to be more generally understood by the people, and the enormous expense in the collection of the same reduced. The expense connected with the collection of tax, counting transportation, etc., exceeds 20 per cent in this province, and it is not the fault of the provincial treasurer or his assistants, but the fault of system of collecting the same.

There have been no land-tax sales in this province, and the people are satisfied with the administration of the treasury department under the direction of the provincial treasurer, Mr. Arthur G. Whittier, and his corps of deputies.

AGRICULTURAL CONDITIONS.

This is strictly an agricultural province. In the northern part of the province hemp is the sole source of revenue and in the southern part copra is the sole product for exportation. Rice, corn and camotes are raised for local consumption. The exportation of hemp has been less the past fiscal year than any time since our occupation of the island. This was caused to some extent by Pulahanism, but principally by the destructive baguio of September 25, of last year, in which not only all the crops, including hemp, were entirely destroyed, but more than 5,000 houses were destroyed, including all public buildings in 11 municipalities. Temporary aid was given the people, and a large amount of palay, corn, and other seed was distributed immediately in the part of the island affected, from which good crops were raised and to-day there is no suffering among the people of Samar, and in about four months more the hemp that was blown down will mature and be ready to cut, and unless something unexpected occurs, the hemp crop for 1907 will be the largest since our occupation of the islands, as not only the hemp blown down will be ready to cut, but a large amount of new hemp was planted in the fall of 1905 and will be ready to cut in 1907. Hemp matures in less time in Samar than any province I know of. The price of hemp has been very good during the past year. The cocoanut crop suffered only slightly from the effects of the baguio, and an average crop was raised which was sold at the highest price that has been paid for a number of years, so that the people of the southern part of Samar, in what is known as the cocoanut district, are fairly prosperous.

The locusts have appeared in several of the municipalities and have done a great deal of damage to small grain. Every effort has been made to destroy them, but in some towns they appeared in such numbers that it was almost an impossible task.

The corn seed distributed by the Agricultural Department did well and good crops resulted. The palay did well in some parts of the province, but in others it failed, showing that it was adapted to some altitudes and not to others.

COMMERCE AND TRANSPORTATION.

The commerce of the province has been less than usual during the past fiscal year. Transportation facilities have been greatly increased. Interisland lines touch at all important towns in the west, the south, and the east. Rates have been reduced and business naturally stimulated. Transportation is still scarce for the north coast of Samar, there being no boats between Calbayog and Laoang, but we have been sending the provincial launch to that route and the islands that are not visited by the larger craft, so that every municipality is reached at least twice a month, all boats carrying mail in addition to their cargo. During the past year the Chinese merchants appeared to be doing the greater volume of business in some of the towns. The Tabacalera Company in the copra districts and Warner, Barnes & Co., Oria y Hermanos, and Ynchausti & Co., do considerable business in the northern part of the island, but they all agree that the Chinese merchants are not only controlling the retail business but are buying more and more of the products of the country. This is extremely unfortunate but can not be avoided, as under our laws the same rights and privileges are extended to them as to one of our own citizens, and they are a law-abiding people, but they do very little to develop the country, and not being progressive, money that is accumulated by them is not spent on buildings or other public improvements, and a further immigration would, in my opinion, ruin the Philippine Islands. The Chinese is a good laborer, but in the Philippine Islands he does not remain a laborer long, as some of his fellow-citizens soon assist him to start in a commercial business for himself, and in this province there is not a single Chinese farmer or laborer, all being engaged in mercantile pursuits, and it will be greatly to the interests of the country when the small retail business of the different towns is in the hands of the Filipinos themselves, but this is almost impossible at the present time, as they can not compete with the Chinese.

ROADS AND BRIDGES.

The Wright-Taft road, which was intended to have been built from the municipality of Wright about 12 miles south of Catbalogan on the west coast to a point on the east coast of Samar within the municipality of Taft, thus

connecting the east coast of Samar with the capital, has been completed to what is known as Camp Curry about halfway across the island and will be completed to Magtaon, where we have a large military camp, by September 15. This will exhaust the appropriation, but I hope that the insular government will finish this work, and I have requested the district engineer, Captain Worrick, to survey and make estimate of the amount of money that would be necessary to complete this road to Taft, the original destination. The province has appropriated out of the road and bridge fund ₱2,000, which, together with the assistance we received from the people along the route, has built a good trail from Loquillocon on the Wright-Taft road to the new settlement of San José, a distance of about 17 miles. We have also built out of the road and bridge fund a trail between the constabulary posts of Inabañgan, municipality of Wright, and Biri, of the municipality of Calbiga, and we intend to continue the building of trails and are receiving assistance from the people in building the same. This work is all being done under the supervision of the district engineer, Capt. E. O. Worrick, and from the date that he took charge of the construction of the Wright-Taft road he has had no trouble in securing all the labor that he needs in the province and it has not been necessary to send to other provinces for labor, as has been heretofore done.

The road law would be acceptable to the people of this province, if, instead of requiring five days' work, it would read not to exceed five days, leaving it discretionary with the assembly of concejales or the provincial board to make it less for the first year or two if they deem proper, and I think that three days would be sufficient. The people have been told that they would have no forced labor and I do not believe it advisable to enact unpopular laws, and I hope the honorable civil commission, who I know are doing what they believe to be right for the interests of the people, will amend this section. I think where the words "district engineer" appears that the words "provincial governor" or "provincial board" should be inserted.

The provincial governor is better acquainted with the municipal presidentes and the people of the various municipalities, is required by law to visit the different municipalities, and knows what roads or trails are mostly needed by the people, and as he is the direct superior of the municipal presidentes it would prevent the presidentes from having to make out lengthy reports to one more official than they now have to. With these amendments the same results would be accomplished and the law be a popular one.

TELEGRAPH AND TELEPHONES.

During the last year the telegraph line has been completed from Calbayog to Laoang on the north coast by the telegraph division, of the constabulary, and the bureau of posts will soon have the telegraph line finished from Catbalogan, via Wright and Magtaon, to Taft on the east coast, where the military have replaced their old telephone line with a telegraph line, thus placing us in telegraphic communication with all important points except in the southern part of the island. I have used some of the old telephone line on the east coast to connect the most important barrios with the municipalities, and the municipality of Borongan has telephone communication with all its barrios, the money for wire and instruments being raised by popular subscription, and I am now arranging with the bureau of posts for furnishing the wires and instruments, and the people will build a line to connect Guluan and Llorente in the south. Good roads and trails, telegraph and telephone lines will go a long ways toward improving the conditions in this province. Mr. Gilbert Friel, of the bureau of posts, who has charge of the construction of these lines in this province is doing the very best he can with the limited amount of material and funds to do with.

POST-OFFICE AND MAILS.

Post-offices have been established in all municipalities where needed and the mail service has improved constantly, and in all the important towns it is received regularly. and on the small islands and remote places whenever opportunity presents itself. The bureau of posts has done good work in giving us the very best service possible without going to a large expense.

EDUCATION.

Remarkable progress has been made in the educational work in this province during the past year. On the 1st of August, 1905, when Mr. C. L. Hoover, the present Superintendent took charge, there was an enrollment of 3,939. At the close of the school year this number had been increased to 9,640, an increase of 240 per cent. The percentage of attendance was over 90 per cent of the enrollment. The work of instruction was carried on last year by 19 American teachers, 6 of whom were assigned to the provincial high school and 1 to an intermediate school, 1 to a special school in the new settlement of San José, and 11 doing supervising work, 6 advanced Filipino teachers were paid from the insular funds, while 169 Filipino teachers and aspirantes carried on the primary class-room work. On August 1 there were 31 schools in session. This number was increased to 67 by the end of the school year. On August 1 there were 38 school buildings in the province, but on September 25 a bagulo destroyed 24 of them. During the remainder of the year 47 new buildings were erected. These buildings are valued at ₱29,395 and cost the school fund ₱6,421, 11 of the same being paid for in part and 12 entirely by rice furnished by insular government to relieve the distress in this province, the people performing the labor free upon being given sufficient food to maintain themselves and families. Full market price has been paid for but very little labor on school buildings; the people asking for only enough to maintain their families while they were working.

The superintendent of schools informs me that in the future it will be his intention to pay the full price for labor and material for school buildings when he may have the money to do so. In the high school carpentry work has been taken up successfully and great progress is being made in that school this year. The principal informs me that the daily attendance is 99 per cent of the enrollment, thus showing the interest taken in the educational work by the most advanced pupils. The insular government has appropriated ₱8,000 for a manual-training shop on land to be given by the people of Catbalogan. A provincial high school building is very much needed. Four buildings, at a high rental, are now being used, and it is the intention to ask for a loan from the insular government to assist in building this school. The people of Samar take great interest in educating their children and the only limit to the attendance is the necessary instructors and school room, and as we are a great way from Manila we are badly in need of a good high school building, which would not only be an ornament to our town, but would show the people that we are taking some interest in their welfare. The teachers in the province have maintained a very high standard and are popular with the people. Improved conditions in the educational affairs of this province have been brought about largely by the hard work of our energetic school superintendent, Mr. C. L. Hoover, who has the confidence and respect of the people of Samar.

PUBLIC HEALTH AND SANITATION.

The public health in this province for the past fiscal year has been very good. There have been no cases of cholera and only twelve of smallpox. A great deal of malaria in some parts of the province. The death rate on a whole has been small, the excess of births over deaths being 4,504 for the past year. The sanitary conditions in the various towns have been improved. This is due largely to the energetic work of our district health officer, Dr. Gilbert I. Cullen, formerly president of the provincial board of health of Samar. There are about 250 lepers in the province and arrangements have been made to gather them up and maintain them at the expense of the province if the director of health bureau will arrange for their transportation to the leper colony of Culion. Doctor Cullen has been especially busy in caring for the wounded in the fights with pulahanes, doing work for the constabulary, military, and the public generally, and we were all pleased that he was assigned as district health officer, with his headquarters at Catbalogan, and his services could be ill-spared at this time. We are very much in need of a district hospital, either here or at Tacloban. This hospital could be used for the constabulary, civil officials, and the public, and would not be very expensive after being once established. Our great distance from Manila makes it almost necessary that some hospital accommodations should be had in the province of Samar, as it is unable to maintain one at its own expense, but would gladly assist.

MUNICIPAL GOVERNMENTS.

The municipal governments of this province are making substantial progress. A strict compliance with the law has been required as to the eligibility of officials, and, as stated before, I think the personnel of the officials elected at the last election to be an improvement. Reports have been made promptly, and where municipal ordinances, illegal or vicious, have been passed, the municipal councils have repealed them, at the suggestion of the fiscal or myself, who have visited nearly all of the municipalities jointly, met in assembly with the municipal councilors, and assisted them by our advice. As a result we are having very good ordinances passed that are being fairly well enforced. Gambling has been prohibited in all of the municipalities and generally enforced. Cockfighting is authorized in all of the municipalities of this province, although the people here do not fight chickens as much as they do in Luzon, and, whereas I think it well to discourage cockfighting, I do not think it advisable to attempt to stop it at the present time, as the people must be given some other source of amusement before they will abandon cockfighting. As long as they are going to fight chickens I prefer it to be done legally in the municipalities, where we can exercise police supervision over same, than out in the small barrios and hills illegally, where, owing to the lack of police supervision monte and other gambling games will be conducted. I have informed the presidentes and concejales of this province that the matter is entirely in their hands, that the municipal councilors are authorized by law to prohibit cockfighting if they so desire, but that no efforts will be made by this office to coerce them into doing so. Only two officials were suspended during the last year, one of whom was reinstated. Several councilmen resigned, and some were expelled by the council for failure to attend the regular sessions and perform their duties as required by law.

PULAHANISM.

Pulahanism originated in this province by what is known as the dios-dios people, a lot of religious fanatics in 1884. They went to the mountains of Samar and naturally exercised an influence over the mountain people. They were harmless, however, and created very little trouble during the Spanish régime. During the Lukban revolution here many of them acquired firearms, and when General Gevara and other Filipino leaders surrendered these people remained in the mountains and were joined by Pedro de la Cruz, Vicente Picardal, Antonio Añogar, and others who refused to surrender. Pablo Bulan (alias Papa Pablo) is the religious and nominal head, but he never goes in fights, and Pedro de la Cruz and Isidro Pompac (alias Otoy) are the real leaders since the death of Enrique Dagohob and Antonio Añogar. All the mountain people naturally came under the influence of these leaders and became known as pulahanes, and in 1904, owing to various causes, principally bad municipal governments, a large number of the barrio people joined the pulahanes. This gave the leaders such a large force that they attacked large forces of scouts and constabulary, captured a number of firearms, and laid waste the entire east coast of Samar, north of Borongan, and necessitated the calling out of the troops of the United States Army to assist the civil authorities. The Army responded promptly and Dagohob, the leader on the northeast coast, was killed and his band scattered by the United States troops, under command of Major Stacey, ably assisted by Lieut. Juan Sulse, of the constabulary. Antonio Añogar was killed and his band destroyed by Captain Helfert and Lieutenant Sulse, of the constabulary. After these fights I went out and organized the interior settlements, invited the people to come in and build homes and stop fighting, and nearly all of the remaining people out presented themselves, together with their arms, to the military and constabulary officers, largely through the efforts of the municipal presidentes and the advisory committee and there has been no serious trouble in the northern half of the island, and I do not believe there will be any in the future, and if we could succeed in destroying Otoy's band, in the south central portion of the island, we would soon have peace throughout the island unless, owing to the recent uprising in our sister province of Leyte, pulahanes from that island should be so hard pressed by the military that they would cross over into this province. Ninety per cent of the people known as pulahanes are not naturally bad, but are ignorant and superstitious, and will be good or bad citizens just as they are influenced. For that reason it will be necessary to establish these settlement governments with few and simple laws and keep troops or constabulary there for several years to come, when I feel

satisfied that these people will become good citizens. They are industrious and hardy people and the influence of the teacher and missionary will soon make them good citizens. The instructions that the governor-general and the Commission gave me when I came to this province to establish these settlements and to reclaim these people to civilization has been faithfully carried out and will be successful in the end.

JAIL AND PRISONERS.

We have a very good provincial jail, which is in a good sanitary condition with about 70 sentenced prisoners and 4 prisoners awaiting trial confined therein. As court has just adjourned in this province the criminal business has nearly all been disposed of. During the last year there was no case of *berl-berri* in the jail and the sick report was very small. The condition is due to the efficiency of Mr. Vicente E. Cinco, the provincial jailer, and Doctor Cullen, our efficient district health officer, who has exercised personal supervision over the care of the prisoners.

POLICE AND VOLUNTEERS.

The police have done very good work during the past fiscal year, have captured several guns and many desperate criminals, and have lost only one shotgun, which was lost in the Magtaon fight, and it was my fault instead of the policeman's, as I had directed him to go with me to do some interpreting and to leave his gun in the house where it was stolen during the fight. The number of police has been reduced in all of the towns from 680 in 1904 to 280 in 1905 to about 180 in 1906. The pay has been increased slightly and in the most important towns they have been uniformed and armed under the general supervision of Lieut. W. A. Burbank, Philippine constabulary, who was detailed by the chief of constabulary to report to the provincial governor for duty as inspector of police. The police have been of great assistance to the military and constabulary, and I have very frequently moved a part of the police, especially the Calbayog police in charge of Captain Corn, their chief, to other municipalities and they have done splendid work. The police force of Catbalogan, Calbayog, Zumarraga, Wright, Villareal, Guiuan, Borongan, Taft, Laoang and Catarman are armed. The smaller municipalities have not sufficient funds to maintain an efficient police force; consequently I did not arm them. Although the people were absolutely loyal, it was incurring too great a risk, as a few arms in the possession of poorly paid men is a temptation to outlaws to capture them, and it is my policy to only arm such police forces as are fairly efficient and in sufficient numbers to protect their pueblo against an attack. The volunteers have been used under the law passed by the Commission and are a great help, especially in getting information, and in Catbalogan we have a volunteer company of 50 men well organized, with 25 rifles, that we can call out in an emergency. When it becomes necessary for all the constabulary to leave town they do guard duty and protect the town, and in addition I have taken them on expeditions under chief of police or myself into the interior of Samar. They receive no pay, but when on duty have been rationed at the expense of the province. All of the chiefs of volunteers have been discharged and the volunteers will be very little expense to the province in the future.

CONSTABULARY.

The constabulary in this province has been reduced from 800 men and 30 officers to 250 men and 13 officers since making my last report. This is the number that we will be allowed permanently for the province of Samar. The efficiency of the constabulary has been raised to a very high standard until to-day the constabulary in the province of Samar is a very efficient and popular organization. This is largely due to the earnest efforts of Capt. Ralph W. Jones, late senior inspector of this province, and I feel satisfied will be maintained by the present senior inspector, Maj. J. B. Murphy, who since his arrival here has been very energetic and is rapidly becoming acquainted with the province. The constabulary are now erecting a good, substantial building, which when completed will not only be a protection but will be an ornament to the town. I feel satisfied that as soon as the military and constabulary destroy Otoy's band of *pulahanes* that this small constabulary force, aided by the municipal police, under such an efficient man as Major Murphy, will be able to maintain law and order without the use of military. I can not praise the work

of constabulary officers in the province of Samar for the last year too highly. They have endured hardships for weeks at a time, doing without the necessities of life, living on camotes and such native vegetables as grow in the interior of Samar. They have all done well and have carried out the spirit of the law, and have always been ready and willing to render assistance to the provincial and municipal officials. I desire to especially mention Capt. Ralph W. Jones, senior inspector, who has been wounded five times in the discharge of his duty. Lieutenants (now captains) Helfert and Bowers, and Lieut. Juan Sulse for splendid services rendered.

THE ARMY.

The work of the United States Army in this province has been of the highest order and the assistance requested by the civil government has always been promptly given. The Twenty-first Infantry and 17 companies of scouts constitute the regular forces of Samar, but 4 companies of the Sixth Infantry and 2 of the Twelfth Infantry were on duty in the island for several months and rendered valuable service. The work against the pulahanes at the present time is confined to the southern part of the island, and there are three companies of the Twenty-first Infantry engaged in field work and 17 companies of scouts in the entire island, 9 companies of which are in the disturbed section of the island and are doing very hard work. The work of the Twenty-first Infantry has been of a very high order and especially the services rendered by the commands under Major Leonhaeuser in the Catubig Valley, Colonel Gardner and Captain Howland at Oras, Captain Hampton in the Gandara Valley, Captain Morrow in the Basey district, and Majors Hutton and Johnson, of the Philippine Scouts, on the east coast of Samar. At the present time the island is divided into districts under command of experienced officers. Col. Fred. A. Smith, who is in command of field operations, has his headquarters in Catbalogan and has cooperated in every possible way with the civil government. Every possible assistance has been rendered by General Lee, our department commander, and I believe that with the energetic measures that are now being taken, and the cordial relations existing between the Army, the civil government, and the people of this province, that pulahanism will soon be stamped out and that it will not be necessary to use the Army for police work, but that we should still have a military post at Camp Connell and posts on the east coast of Samar, the Gandara and Catubig valleys.

ADMINISTRATION.

The work of the provincial board who administer the affairs of the province, composed of the provincial treasurer, Mr. Arthur G. Whittier, the division superintendent of schools, C. L. Hoover, and myself, has been very harmonious, and we have received every assistance from the senior inspector, Maj. J. B. Murphy, and the provincial fiscal, Señor Emilio Araneta. Señor Araneta has visited the various municipalities in order to assist the municipal officials and is taking great interest in his work. The office force has been under the general supervision of the provincial secretary, Señor Máximo J. Cinco, a young man who has a thorough knowledge of the English and Spanish languages, as well as his own, and has been a hard worker and painstaking official. He, together with all the clerical force of the office, has been overworked, working Sundays and holidays when necessary, which has always been cheerfully done.

RECOMMENDATIONS.

New municipalities.—I recommend that the municipal governments be reestablished in the old municipalities of Tarangnan, San Antonio, Bobon, Dolores, Sulat, San Julian, and Santa Rita. These were large places, and in most cases the distance from the municipalites they were annexed to has caused a great deal of discontent, and it would please the people very much to have them reestablished. The provincial board has unanimously approved of their petitions.

Land tax.—I recommend that the collection of the land tax be discontinued for three instead of one year. After the recent visit of the Secretary of War and party to the Philippine Islands it was generally understood by the people that land tax would be suspended for a period of from three to five years, and I think it would be a great disappointment to the people if the same was not done. The expenses of the municipal governments can be reduced without doing any injury to the service, and I believe that the efficiency of the pro-

vincial and municipal governments will not be impaired by the reduction of expenses. It has been anticipated in this province, and the municipal expenses are about ₱40,000 less this year than they were last and can be still further reduced.

Roads and bridges.—I recommend an amendment to the proposed road law on the lines suggested by me in my report on roads and bridges, to wit: To leave at option of the provincial board the number of days' labor, not to exceed five, and where the words "district engineer" appear insert the words "provincial governor." With these amendments I think the law would be a good one and would receive the unanimous support of the people. In view of the fact that the Wright-Taft road will soon be completed to Magtaon and the appropriation heretofore made exhausted I recommend that a further appropriation of ₱40,000 be made. I feel satisfied from such information as I can receive from the engineers and others engaged in the construction of this road that this amount will finish the road to Taft on the east coast of Samar, thus connecting the east and west coasts. This road is a great public necessity, and its completion will be of inestimable value to the province.

Internal revenue and taxation.—I recommend that the internal-revenue law be simplified so that it may be more easily understood by the people and less expensive to collect the revenue. I think the principles of the internal-revenue law are right, but some methods ought to be adopted to reduce the expense of collecting the same.

Telegraph and telephone lines.—I recommend that a telegraph or telephone line be built from the end of the present military telegraph line at Borongan through Llorente to the municipality of Guiuan. Guiuan is the largest municipality in the province of Samar and there will be quite a revenue from the same when completed. I also recommend that the bureau of posts furnish telephone wire and instruments sufficient to reach our new settlements in the interior of Samar and to connect our constabulary posts with the capital. The province will furnish the necessary labor by using short-term prisoners and volunteer labor.

Public buildings.—Whereas the province has no public buildings except the jail, I recommend that the insular government loan the province of Samar the sum of ₱25,000, ₱15,000 of which will be used for the construction of a provincial high school and ₱10,000 for the construction of a provincial building. We have considerable building material on hand and several skilled mechanics in our provincial jail and can, with ₱10,000 in money, build a very creditable provincial building. We are now paying over ₱3,000 per annum in rents for a provincial high school and provincial offices. The province is improving the provincial jail, making it both secure and sanitary, building a pier at Catbalogan that all coastwise boats can discharge cargo without the delay that has heretofore been caused and it is the desire of the provincial board to make many substantial improvements during the coming year. This loan could be repaid in five years at the rate of ₱5,000 per annum.

Thanking the governor-general and the honorable civil commission for the confidence they have reposed in me and the support they have given the people of the province and myself in the difficult task before us.

I remain, very respectfully,

GEORGE CUREY,
Provincial Governor of Samar.

The EXECUTIVE SECRETARY,
Manila, P. I.

REPORT OF THE GOVERNOR OF THE PROVINCE OF SORSOGON.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF SORSOGON,
Sorsogon, August 6, 1906.

SIR: In compliance with the provisions of the law I have the honor to send you my report for the fiscal year in accordance with the instructions contained in the circular of the executive bureau, and for the sake of greater clearness I have divided the report into several sections in order to set forth the matters falling within them in greater detail.

AGRICULTURE.

It would, perhaps, be troubling you too much to speak about this matter again, as it is already so painfully known to your honor from the official notifications of this office and from personal statements made by myself, declaring the true and real condition of the province, which is at present passing through a crisis never seen before, owing to the deplorable condition to which its great sources of wealth have sunk; said sources of wealth being the haciendas or *latas*, as they are called in this territory, that have experienced so much loss in consequence of the extraordinary drought, lasting from the last months of the year 1904 and through a great part of the year 1905, that burned up very many haciendas, while of the number remaining intact it can be said that the plantations have dried up for want of nutritive sap, said plantations having been the victims of the vortex of the horrible baguio which passed through this zone on September 25 and 26 of last year and which took upon itself the work of destroying them.

I can assure your honor that the province of Sorsogon, in spite of its small size and tender age, considered as a province, prior to this time was very rich, as I shall be able to prove later on. By reason of that memorable baguio Sorsogon Province lost its great haciendas; public buildings, such as municipal houses, schools, convents, and churches; hemp warehouses, and private dwellings costing important sums. As to those constructed of mixed materials and purely of light materials, no mention should be made of their number, since up to the present time an excessive number in all of the pueblos of the province has not been repaired owing to lack of funds. From the middle of last year certain uneasiness was felt on account of the extraordinary drought, the crops having then diminished considerably, and the unexpected baguio heaped the greatest desolation and misfortune upon the province.

Prudent statistics collected in the municipalities after the storm show the following losses:

Statistics of losses in each municipality of the province of Sorsogon, according to data received by the provincial government.

Pueblo.	Number of persons injured.	Number of houses destroyed.	Total amount of losses.
Bacon	7	751	P98,492.00
Barcelona	11	All.	409,857.00
Bulan		1,020	1,197,440.00
Bulusan	2	551	80,982.50
Casiguran	4	325	374,649.00
Castilla	2	367	136,380.00
Donsol	2	450	135,107.50
Gubat	5	5,050	1,502,332.00
Irocin	2	806	1,629,071.00
Juban	3	568	844,800.00
Magallanes	1	311	113,325.00
Santa Magdalena	3	295	33,698.00
Matnog	2	228	49,000.00
Pilar		520	154,864.87
Prieto-Diaz	1	582	90,700.00
Sorsogon	5	1,650	446,356.48
Total	50	13,174	7,297,055.35

It should be observed that there is one thing about this province that to my way of thinking distinguishes it from others. In all Sorsogon not over three persons can say that they are the owners of a large estate, as four-fifths of the inhabitants, without fear of exaggeration, are the owners of parcels of land more or less extensive, while the other fifth are the purely laboring people; however, many of the first group work for day wages when they have gathered the crops off their own land or when the rent produced by their property is insufficient to satisfy their wants and those of their families throughout the year. There are provinces immensely larger and richer than Sorsogon, but, unfortunately, all of their greatness is possessed by only five or ten persons, so that poverty is more dominant in them, inasmuch as the mass of the people is entirely subject to the caprice of the five or ten property owners in the province, whose will is law.

The procedure followed by us in this province is undoubtedly, at this time, antediluvian, a qualification which would be given to us by those who profess contrary doctrines, but the undersigned has thought it more prudent to foster and favor this special habitude of the inhabitants in every way possible, for the reason that in such a course he sees more advantages than disadvantages for all concerned.

If the rains that have now set in continue to fall with regularity, and there is no other bagulo like the one of last September, we hope to get normal crops throughout the province a little over two years hence. Trees, irrespective of quality or group, were blown down by the bagulo and with them all trees shading hemp fields.

These hemp plantations urgently need clearing, and that requires money, and as in order to get the latter it is necessary to have hemp, which is extremely scarce, many of the haciendas are semiabandoned, owing doubtless to their slow recovery, for it must be taken into account that nearly all of the commercial houses have absolutely stopped all advances to property owners; so that the little money possessed by those persons who have any of it at all must be used in part for the peremptory necessities of life and all other taxes. Seeing this sad condition of the province, honorable sir, I join my humble prayer to the universal petition of the entire archipelago that the generous Congress of the sovereignty country be asked, through the honorable Secretary of War, to establish an agricultural bank in the Philippines in order that we may be enabled to help our declining agriculture. I believe it unnecessary for me to state that our gratitude would be eternal if it were to deign to confer that special favor upon us.

The municipal presidents of the province, foreseeing the fatal consequences of the bagulo, at a special convention held October 30, 1905, passed the following resolutions:

"SECTION 1. On motion of the municipal president of Sorsogon, Señor Flores, resolved to recommend that the provincial board secure from the honorable Philippine Commission the approval of the following petitions:

"(a) Abolition of the land tax for six years and the imposition of a heavy tax on the sale of opium to be determined by the Philippine Commission through general legislation.

"(b) Abolition of the personal registration tax for a period of two years.

"(c) That the government undertake the construction of public works within the province, by opening new roads or improving old ones, or by constructing bridges over rivers where they will result in benefit to commerce and agriculture as well as to the inhabitants in general; that it grant loans to the municipalities of this province, repayable in six years, either in rice or money in sufficient amounts to pay the laborers employed in improving municipal roads and bridges, etc.

"SEC. 2. On motion of the president of the municipality of Juban, the following petitions are approved:

"(a) To secure from the insular government a supply of carabaos for the inhabitants of this province, the same to be sold to them at prices payable in three annual instalments.

"(b) That the free cutting of timber be allowed in woods of the first group.

"SEC. 3. On motion of the municipal president of Bacon, the following petition is approved:

"That the municipalities and provinces, instead of participating in the internal-revenue collections, 25 per cent and 50 per cent, be allowed all of such collections."

In my official note of May 30, 1906, I had the honor to give the opinion of the provincial board with reference to the matters dealt with in the above resolutions of the municipal presidents. I have already stated to your honor that if it were not for the fact that there have been cases of robbery by a gang in this province, something unheard of here prior to this time, I should not be so bold as to seek you in Bagulo, Benguet, to ask that you deign to support the prudent means recommended by the municipal presidents in their special convention.

In order to give employment to the inhabitants now passing through a crisis, the municipal authorities have ventured to petition the insular government, not for a donation, but for a loan of ₱150,000 for a period of six years, believing that by that time our agriculture will again be in a normal condition and the return of the money will therefore be most certain.

In making this petition the municipal presidents have not had the least hesitation or doubt, seeing that since the civil régime was instituted in the Philippine

Islands they have never wished to molest the government for any money, as is proved by the following facts: In the year 1902 the thousands of volunteers that under the provincial governor's orders took part in the campaign to suppress public disorder did so without their help having cost the insular government 1 centavo. In the year 1903, cholera ravaged the province during a period of not less than eight months, and the government was not bothered for even one grain of medicine. During the same year the locusts made a terrible invasion of our entire territory, staying a long time, and all the expense of their extermination was borne by municipal funds and the government was not molested, in spite of the written law on this particular. During that same year, when the now Secretary of War, Mr. Taft, was civil governor of the Philippines, we were furnished with 20,000 sacks of rice, which we have since returned with interest. In 1904 ₱500 of insular funds were sent us for the acquisition of exhibits for the St. Louis Exposition, yet the municipalities preferred to make their exhibits on their own initiative, and not to receive the amount which was returned. Having set forth these reasonable grounds for the request, I have faith that the government will grant the loan.

COMMERCE.

When a people are plethoric with life the evidence is undoubtedly that seen in their commerce, inasmuch as the latter graduates their vital heat as surely as the thermometer indicates the heat of the air and of the body in accordance with the zones where the people live and have their habitations.

The habitude of a people depends upon their products and their commercial relations, to a large extent. From this point of view it can be said, without offending anyone, that if the province of Sorsogon has distinguished itself from the others of its kind it is undoubtedly due to the fact of its great commercial activity prior to this time.

The province of Sorsogon is genuinely an agricultural one and Providence, not being indifferent to the sacrifices of its people, deigned to compensate their efforts superabundantly with unprecedented crops, as may be seen in the official note furnished this provincial government by the seven commercial houses then established in this province, giving statistics for the years 1903, 1904, 1905, and 1906, as follows:

For all of 1903 to July, 1904, 600,000 piculs of hemp, 33,604 piculs of copra; from 1904 to 1905, 234,575.87 piculs of hemp, 2,716.92 piculs of copra; from 1905 to 1906, 212,207.92 piculs of hemp, 8,073.60 piculs of copra.

The enormous quantity of hemp harvested during the first period was undoubtedly due to the great influx of plantation hands from Albay and Ambos Camarines in the year 1903, caused by the destitution following the reconcentration resulting from the disturbances caused by Ola, Toledo, et al., in those regions, which had the effect of driving labor to this province in search of work. During that time every hacienda, large and small, was cleared and cultivated, and many new plantations were set out. Unfortunately all the labor and money expended in this way did not yield the returns expected, but owing to the unprecedented drought and terrible baguio which left the province destitute, produced a contrary effect.

That is the true cause, honorable sir, of the sharp decline in production of hemp felt throughout all of the pueblos of the province.

I would state in closing that the average prices paid for hemp during the periods mentioned were ₱25, ₱22, and ₱20.50, respectively. As a matter of fact, an immense amount of money has come into the province, but where has it all gone? I believe that 80 per cent has remained with the commercial houses, which during that time have made large advances, while the balance has been distributed among the people that have used it to satisfy their wants, their taxes, and their vices, for it must be confessed that we of this province have also our defects, and perhaps to a general extent.

The most regrettable thing I have observed here is that a great many property owners are still indebted to commercial houses, proving that during all of that period of prosperity economy was unknown.

FORESTAL WEALTH.

There can be no doubt that this province, owing to the topography of the land, was at one time very wealthy in forestal resources. Then, over fifty license holders were engaged in the development of this wealth, exporting large quanti-

ties of lumber, not only to Manila but abroad, besides supplying three shipyards in the western part of the province, where sailing vessels of all sizes were constructed according to the usages of the time and in conformity with the demands of different regions.

A time was known (about ten years before American sovereignty) when American frigates used to come to the coasts of Sorsogon to get large cargoes of calantas (native cedar), secured from the interior by Spanish agents, as well as other woods of the first group, although such lumber was shipped preferably to Manila and Hongkong, where it brought good prices. At the present time the province still has this wealth, but it can not be developed easily, owing to the lack of draft animals and because the best logs are only to be found far in the interior, from where it is difficult, if not impossible, to bring them to the coast, owing to the broken character of the ground. Many valuable trees formerly stood on hemp plantations of private ownership, but the bagulo of last September blew them down. Your honor will undoubtedly recollect that one of the resolutions of the municipal presidents, passed at their special convention held October 30, 1905, dealt with this matter, and that it sought to have the government authorize the utilization of such trees by the rightful owners instead of allowing them to rot on the ground.

NATURAL RESOURCES.

At the St. Louis International Exposition, held in 1904, the province of Sorsogon gave splendid evidence of its natural resources, botanical, mineral, agricultural, industrial, and commercial, and secured many valuable awards from the different juries which passed upon their merits. In order the better to show this evidence at the time of the visit of the honorable Secretary of War and his illustrious party, the province honored its guests with a provincial exposition, wherein was exhibited all of the natural wealth of this region.

It is now a year and a half since the St. Louis Exposition closed, but to date none of the prizes awarded to exhibits from this province have been received, although the province displayed the greatest enthusiasm in participating in that World's Fair and did not trouble the insular government for any amount of the large expenses which are unavoidably necessary in this class of undertakings.

All of the persons that have received official notice that their exhibits had been awarded prizes are very anxious to receive and see the grand prize, the gold medal, the silver medal, and the copper medal, or diploma of honor, as the case may be, corresponding to each one of them. Up to the present time I have restricted my efforts to mitigating the impatience of the people who are continually demanding the prizes, in the conviction that the Government will not forget to send us the long-wished-for rewards.

I have endeavored, so far as possible, to keep the fair name of the government unblemished, as I know that if no attention is paid to the matter its good name will suffer; for it is my opinion that if all the sacrifices of the people are to be met by the coldest indifference, after the awards have been announced, a disagreeable precedent will be set, and in the future there will be sufficient reason for the people to disregard any like invitation, even if made as insistently as was done by the then governor and now Secretary of War, the Hon. W. H. Taft. I therefore again return to this matter in order to state to your honor, that in this particular the province of Sorsogon is very different from the others, in view of the fact that all the work mentioned above was done exclusively by the people in order that they might be better known in the sovereign country and by all the world, being stimulated thereto by the prizes given exhibitors who willingly cooperate to bring about the aggrandizement of the nation that had initiated the idea of opening a world's fair.

Therefore, I respectfully beg that you order the proper parties to send the prizes earned by the exhibitors of this province, if only in consideration of the special way in which they responded to the call of the government.

PUBLIC FUNDS.

Having represented the present conditions of agriculture and commerce in this province, I will briefly set forth the economic condition of the pueblos and of the province, both of which are passing through a crisis such as has never been known before these times, owing to the various calamities which

we have experienced from the year 1902 to the last months of the year 1905: for the extraordinary drouth and the vortex of the baguio which passed through this entire territory that year left the province in such a terrible condition that their effects are still felt.

The balances on hand in the provincial treasury are shown by the table attached hereto as "Exhibit A." ^a

PUBLIC HEALTH.

All of the sixteen pueblos of the province, with the exception of Castilla, Donsol, and Prieto-Diaz, have organized local boards of health, and the latter, having no funds to do so, have turned the office over to the municipal presidents, who receive instructions regarding sanitary matters from the president of the provincial board of health.

Since the appearance of cholera in Manila in August of last year, preventive measures against this disease have been taken by distributing circular No. 1 of the board of health to the pueblos, in all of which it has been translated to the Bicol dialect for the knowledge of the people.

Fortunately having received timely warning as to what action to take in case of an outbreak of the cholera here, there has not been a single death from this disease to date. The suspected case aboard the steamer *Chicago*, while at anchor in this port, was isolated and brought no bad results of any kind.

The number of deaths during the fiscal year was 4,591 and of births 5,655, a natural increase in the population of 1,064 inhabitants.

The following are the diseases which have caused the greatest mortality during the fiscal year:

Infantile convulsions and eclampsia	1,091
Smallpox	880
Intermittent fevers.....	523
Dysentery	286
Pulmonary tuberculosis.....	264

In the month of December smallpox was declared epidemic in the pueblo of Gubat, and from there spread to the adjoining towns of Prieto-Diaz and Barcelona and their barrios; there have also been cases in the other pueblos of the province, though the disease has been of an endemic character.

All sanitary measures have been taken to eradicate this disease, but in spite of this it has made some ravages, owing to the impossibility of strict isolation of the sick and to the fact that the people of the province are herded together in small houses since the baguio destroyed the majority of their more comfortable dwellings.

During the fiscal year 36,215 persons were vaccinated, 64 per cent with positive results.

In addition to smallpox and infantile convulsions, which caused the largest number of deaths, intermittent fevers were prevalent, owing to the malarial conditions of the pueblos.

The provincial board of health distributed large quantities of quinine to the municipalities, with instructions regarding its use.

Antiseptics and disinfectants were also sent to the municipalities for use in contagious or epidemic diseases with proper instructions.

PUBLIC INSTRUCTION.

Sorsogon Province, including the subprovince of Masbate, constitutes school division No. 17. Sorsogon proper is divided into eight supervising districts, each (excepting Matnog-Sta. Magdalena district) in charge of an insular supervising teacher. Masbate constitutes a subdivision and is in charge of a head teacher. The municipalities of Sorsogon are grouped into districts, as follows: 1, Sorsogon, Castilla; 2, Bacon; 3, Gubat, Prieto-Diaz, Barcelona; 4, Bulusan, Irocin; 5, Matnog, Sta. Magdalena; 6, Bulan, Magallanes; 7, Juban, Casiguran; 8, Donsol, Pilar.

^a This table was not received by the War Department.

There are in the division of Sorsogon 77 public schools, as follows:

	Primary schools.	Intermediate schools.	Total.
Sorsogon	45	1	46
Masbate	29	2	31
Total	74	3	77

The three intermediate schools are: The Sorsogon provincial school, the Masbate provincial school, and the San Fernando intermediate school.

In addition to the above, two normal institutes are held annually for the benefit of the municipal teachers, one in Sorsogon and the other in Masbate. The institutes are held for six weeks, usually in the months of February and March.

The work of instruction and supervision is in charge of 137 teachers and supervisors, as follows:

	Municipal.	Insular.		Total.
		American.	Filipino.	
Number of teachers, Sorsogon	78	12	1	91
Number of teachers, Masbate.....	31	7	8	46
Total.....	109	19	9	137

The average monthly salary of the municipal teachers is ₱21.15; of the Filipino insular teachers, ₱46.67.

The following towns have provided ample schoolhouses, owned by the respective municipalities: Gubat, Prieto-Diaz, Bacon, Sta. Magdalena, and Bulan.

The following towns are in need of new schoolhouses: Sorsogon (this town pays ₱60 monthly for a very inadequate building; should build at earliest opportunity and save annually ₱720), Barcelona, Bulusan, Matnog (pays ₱20 monthly; this town should build a good two-room schoolhouse), Magallanes, Juban, Casiguran, Castilla, Donsol (schoolhouse in course of construction), and Pilar.

The municipal teachers, upon whose shoulders rests the responsibility of practically all of the primary instruction in the schools of the province, have made very satisfactory progress during the past year. At the present time all of the regular municipal teachers are primary graduates.

To improve the education of the young, physical culture has been introduced in all of the schools, such as baseball, track and field sports, jumping and vaulting. Among these sports the most popular and important is baseball.

Baseball was introduced in the schools of this province in April, 1905, when upon the initiative, and under the patronage of the provincial government and of Judge Trent, games were contested between the provinces of Albay, Masbate and Sorsogon, on April 6, 7, and 8, 1905, with the result that Albay was declared the champion and won the trophy of Trent cup. The latter is a silver cup, so-called in honor of Judge Trent, who initiated the contests and has largely contributed toward their success. The trophy is contested for annually.

After the April season, teams were organized in each municipal school and many a game has been played. The game or sport has become so universal and spread so rapidly that it can well be called the national game among the younger generation of Sorsogon.

On April 5, 6, and 7, 1906, the second series of ball games was pulled off at the Sorsogon athletic grounds. Both Masbate and Sorsogon had made great strides since last year's tournament, so that the former was able to wrest the trophy from Albay. In addition to baseball, the following track and field events were pulled off: 1, 100 yards race; 2, 220 yards race; 3, pole vault; 4, running broad jump; 5, running high jump; 6, shot put; 7, baseball throw.

The Masbate team was also the winner in these events, carrying off six of the seven medals offered as prizes.

It would be very ungrateful in me if I were not to mention in this report the great interest taken by the ex-judge of this district, now justice of the supreme court, Hon. A. C. Carson, in this matter. Animated by the best desires, he wished to encourage our youth in their studies, and to that end generously offered four good prizes, consisting of ₱100 for the first, ₱50 for the second, ₱25 for the third, and some good books for the fourth, to the students of this province, who in competition with those of Albay and Ambos Camarines, should write the best compositions, the winners to be selected by a committee of teachers appointed by the director of public instruction at Manila. These prizes are to be given every year during Justice Carson's stay in the Philippines.

Actions of this nature imperiously compel the undersigned governor to proclaim them publicly on account of their disinterestedness, and because, by them, he proves the tender affection which he has always professed, and still professes toward this province, which at one time belonged to his district in spite of its insignificant importance. And what shall I say of the honorable judge, Grant T. Trent? His name, like that of Hon. A. C. Carson, shall never be blotted out of the memory of the inhabitants of this province in general, and more especially of the school population, for the reason that the game of baseball, publicly played once a year in this province, has caused such great enthusiasm and curiosity among the pueblos, both to know what young men are the most skillful in this sport and which province has carried off the prizes—of which the Trent cup is the most valuable—that if this animation continues the day will come when baseball will be acknowledged the game of this province—a game that we may, perhaps, later on substitute for other games that the members of the Moral Progress League ardently desire to see supplanted in the Philippines.

In order fully to carry out the wishes of the pueblos that the children be provided with easy means of acquiring an education in the most economical way possible, all of the municipalities have jointly contributed toward the construction at the provincial capital of a superior school, the foundation stone of which was laid on August 26, 1905, by the honorable Secretary of War, William H. Taft, in the presence of his illustrious party; the corner stone for the same building having been manufactured by the honorable Governor-General Luke E. Wright and Commissioner W. Cameron Forbes on December 6, 1905. We hope to have the school opened next year if God grants us life and health, and the pueblos do not become discouraged in meeting and overcoming the thousand and one difficulties which are sure to present themselves in carrying out this great work during these hard times.

PUBLIC WORKS.

In my report for last year I said that on account of the internal-revenue law the province and municipalities of Sorsogon would be almost unable to undertake any public works, as the little that is obtained from these collections is scarcely sufficient to meet the expenses of the municipalities. However, in the face of the great devastation wrought by the storm of last September, which left the people without homes and the pueblos without offices, efforts have been made to repair municipal buildings with cane and nipa, while some municipalities like Casiguran and Barcelona have been able to reconstruct their buildings with strong materials. The first named municipality was able to complete the work, but the second was unable to put on the galvanized-iron roof, as its funds became exhausted.

As in the case of municipal buildings proper, the schools have been repaired the best way possible. Donsol, besides repairing its office buildings, was able, by the exercise of considerable ingenuity, to erect a pretty schoolhouse out of nipa and palma brava. Public works in this province will have to go on in this manner until better times.

PUBLIC ORDER.

All of the disturbances caused by fanaticism in the year 1902 having passed, there now reigns, thanks be to God and the good sense of all the municipal authorities, complete peace throughout the province. The only alarm felt was in the months of March and April of this year, on account of thefts committed by gangs of robbers in different places in the province, a result of the prevailing scarcity of food. After the leaders of the two parties infesting the province had been captured calm was restored and peace established.

RECOMMENDATIONS.

In view of the prevailing peace throughout the province, and of the crisis through which the latter is passing as a result of the drought and bagufo of last year, and of certain irregularities in some municipalities, I take the liberty of submitting to the government for consideration and prompt action the following recommendations:

1. That, as the municipalities have not the funds with which to maintain a quarantine and provide for the subsistence of lepers, they are dispersed throughout the pueblos and are a menace to the public health; and I would therefore recommend very strongly that the same privilege be extended to Sorsogon as to other provinces, by gathering these poor people together and transporting them to Cullon, where the generosity of the government has provided them a home to serve as a refuge for them in their misfortune.

When times were somewhat better than they are now public munificence was able in some way to provide for their wants by giving them rice and a little money every fortnight, but now that universal penury is felt I realize that before providing for the wants of others the people will see that their own are not neglected. It is for this reason that I am particularly anxious to have these unfortunate people sent to Cullon as soon as possible.

2. As the internal-revenue law authorizes the collection of a tax on cockpits of only ₱200, it has been privately learned that in some of the municipalities the councilors have paid the tax through a third party and, in view of the autonomy enjoyed by the municipalities, place certain obstacles in the way of other persons desiring to open cockpits. This action is, of course, detrimental to the municipal revenues, but beneficial to the councilors, who are the true proprietors of the licensed cockpits, though represented by a private citizen.

The same law authorizes the municipalities to impose a municipal tax on cockpits in addition to those for the keeping and training of gamecocks. But this latter course was not acceptable to all of the municipalities, in spite of the recommendation of the provincial government that they impose a reasonable tax, and this was owing to the well-known fact that in many municipalities the persons harmed by such an action would be the very councilors who are the real license holders, it mattering little to them if the municipal revenues were harmed.

In view of this fact, I take the liberty to suggest that section 144, paragraph 5, of act No. 1189, amended by act No. 1338, be amended in the sense that the power now granted to the municipalities to impose a purely municipal tax on cockpits be transferred to the provincial board in order that the latter may, in accordance with its just and impartial judgment, decide the amount to be collected by the municipalities, this being the only manner that I can see of properly carrying out the spirit of the law and of directly attacking vice. If this is done I am certain that before many years cockpit gambling will be restricted to twelve times a year, which will be a radical reform, and that little by little it will be replaced by baseball.

3. That for the purposes of the administration in the district of Masbate, made up of three islands—Ticao, Masbate, and Buriás—for which a launch is to be provided by the government in order to facilitate the inspection of the municipalities until we have a launch of our own, no charge of ₱55 a day be made as now, but only for the price of the coal consumed, as it is my opinion that if the provinces are prosperous and productive the insular treasury will be in a still better condition. So that it is the best policy to give the best facilities to the provincial board in order to make its administration as efficient as possible, and in this case the government will simply be advancing a small amount of capital with the assurance that at least 75 per cent of the revenues will come to it when the pueblos are again in good condition, and I shall leave nothing undone to attain this end.

The above is all that I have the honor to set forth with regard to the condition of the province during the period covered by the fiscal year 1905-6.

Respectfully submitted.

B. MONREAL,
Governor of the Province of Sorsogon.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF SURIGAO.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF SURIGAO.

Surigao, July 9, 1906.

SIR: I have the honor to submit the following report, embracing the period between the 1st of July, 1905, and the 30th of June, 1906, in conformity with the provisions of act No. 1044.

AGRICULTURE.

Owing to the terrible effects of the cattle plague, large tracts of land formerly given over to the cultivation of paddy and corn have been allowed to lie fallow, and as a result of this the crops of both cereals have been insufficient to satisfy the needs of the inhabitants of this province as regards their sustentation.

The last two crops of rice and corn during the period covered by this report have been smaller than before, a great deal of rice having had to be imported from Manila to feed the natives of this province.

The plantain, sweet potato, beans, and peas, as well as other food plants grown on a small scale in the puebls, have also constituted a part of the food of the people.

Cacao and sugar cane are also cultivated, likewise on a small scale. Cocoanut plantations are increasing every day.

During the fiscal year just ended agriculturists have all to some extent set out hemp plants, being convinced that in order to live comfortably the only means is to plant hemp, which two years hence will, in my opinion, be a much larger crop than it now is. Hemp does not need farm animals to cultivate it. It grows throughout the province, the puebls of Dapa, Placer, Cantilan, Cortes, Tandag, La Paz, Ginatuan, Llanga, and Cabarbaran, and those on the Agusan River yielding large quantities of the fiber.

Old-style plows are still used for the cultivation of rice, corn, etc.

For the purpose of stripping the hemp a machine is used which consists of a knife with a smooth or serrated edge which is capable of being tightened or loosened at will by means of a spring attached to it. The hemp to be stripped is drawn between the edge of the knife and a piece of wood, and by means of proper pressure brought to bear upon the former it is deprived of its fleshy pulp. The spring for tightening or loosening the pressure on the knife is worked with the foot, while the hands are employed in drawing the hemp to be stripped between the knife and the block of wood.

Hemp planters are anxiously waiting for the appearance of a hemp-stripping machine having advantages over the present rude contrivance, which shall be cheap enough to be within reach of all, in order that more interest may be taken in the cultivation of hemp and the industry may become more profitable.

COMMERCE.

Commerce on a large scale is in the hands of foreigners, Europeans and Chinese, with very rare exceptions. There are three commercial houses established at the provincial capital, those of Aldecoa, of Macleod and the Tabacalera. In the other puebls Chinese have established their stores that are in the main branches of the principal houses established by their countrymen in the town of Surigao.

It is with difficulty that business can prosper in the hands of natives, as experience has proved, owing to the competition from the Chinese, who are clever in attracting custom by illicit means, appearing to sell cheap and buy dear all goods that in handling undergo a change as regards quantity and quality.

The imports to the province have consisted of the usual lines, viz, rice, beverages, groceries, textiles, etc.

Several steamers belonging to the three commercial houses mentioned, some lorchas and a considerable number of smaller boats called "bancas" and "paraos" are engaged in the transportation of merchandise within the province.

The value of the hemp exported during the fiscal year was approximately ₱1,500,000. I am sure that the exportation of this fiber two years hence will be much greater in view of the great increase in the number of plantations.

About 10,000 piculs of copra have also been exported.

ECONOMICS.

Taxes are collected with great regularity, owing to the activity of the provincial treasurer, Mr. J. H. Graves.

Revenues of the provincial treasury from July 1, 1905, to June 30, 1906 -----		₱46, 149. 27
Expenses during said period -----		44, 482. 26
Balance on June 30, 1906:		
General funds -----		6, 346. 05
Road and bridge funds -----		9, 989. 32
Non-Christian tribes' funds -----		1, 073. 91

On the date mentioned the provincial treasury still showed a balance to the good of ₱6,346.05, not counting ₱1,014.67 owing by the municipalities for supplies; this is over and above all expenses paid during the period covered by this report, which were as follows:

The provincial government paid the insular treasury the sums of ₱4,000 and ₱2,992 for debts contracted by the province since its organization in the year 1901, and for fees in criminal cases tried by the court of first instance of this province, from October, 1901, to April, 1905.

The provincial treasury also paid the warden of Bilibid prison the sum of ₱1,880.40 for subsistence of prisoners sent from Surigao for confinement in the said penal institution from June, 1902, to June, 1905.

The province likewise disbursed some ₱200 for cost of transportation of municipal presidents on the occasions of their attendance at presidential conventions since the organization of the provincial government.

The salary of the acting provincial treasurer, during the absence of the regular incumbent on leave duly granted him, was also paid out of provincial funds.

The provincial treasurer also made a disbursement of ₱5,000 on account of the appropriation made for the construction of a high school.

In the majority of the municipalities the revenues are only sufficient to pay their most urgent expenses, it being for this reason very difficult to construct public buildings where they do not exist. It is therefore only possible for them to pay salaries of municipal employees and for the repair of existing public buildings and bridges.

The economic condition of the province is precarious, owing no doubt to the loss of carabaos, cattle, horses, swine, and poultry.

FINANCIAL.

The sources of revenue of the provincial government of Surigao consist in—

- (a) Cedula, or personal registration certificates.
- (b) Ten per cent of the collections of the internal revenue.
- (c) Taxes on real estate and improvements.
- (d) Annual rental of ₱480 from the provincial building occupied by the constabulary.
- (e) Fees for the registration of mining claims.

Through the negotiations of the provincial board, the sum of ₱4,111.60, confiscated from the provincial treasury of Surigao by the military government of occupation, was returned to the province.

The real estate and improvements in the province, according to the last assessment, made in the year 1904, are valued at ₱3,020,964.

PUBLIC INSTRUCTION.

The province of Surigao is divided into twelve school districts, each in charge of an American supervising teacher.

The total daily attendance at the public schools during the past school year was 4,669.

The number of teachers in the 87 schools, distributed in the 12 pueblos and 44 barrios of the province, is as follows: Americans, 11; insular Filipinos, 10; municipal Filipinos, 83.

Five American teachers and 1 Filipino insular teacher taught in the intermediate and superior schools.

Pupils enrolled in the intermediate school, 145; daily attendance, 102.

Ten were enrolled in the superior school, and the average daily attendance was 8.

A school of arts and trades was established last year, but no pupils were enrolled, though those attending during certain fixed hours of the day were the pupils of the intermediate school.

Education in this province is making great strides, owing to the interest and constancy of the division superintendent of schools and of the teachers in instructing the young.

The people, too, are beginning to understand the importance of education, and gladly send their children to school with the expectation that they will some day be worthy members of society, having a knowledge of their rights and duties.

As evidence of this interest, I cite the fact that the pueblos of this province have voluntarily contributed ₱10,025.97 for the construction of a superior school and one of arts and trades, work on which was commenced this month.

INDUSTRY.

The only industry worthy of mention is the distillation of nipa spirits in the pueblos of Butuan, Gigaquit, Tago, and Cantilan. In the first three pueblos the amount distilled during the fiscal year was 4,700 arrobas, but the nipa in all of them is sufficient to yield as much as 13,000 arrobas of vino.

There are no agricultural industries, properly speaking, but it is thought that hemp stripping will in time become an important industry.

The manufacture of textiles (sinamay), of mats, baskets, etc., and the fishing industry are of small importance.

FACTORIES.

No factories worthy of mention, other than nipa distilleries on a small scale, exist in the province. This is due, in my opinion, to lack of capital.

NATURAL RESOURCES.

Several mining claims have been recorded in the office of the provincial secretary, but none of them has been worked. However, in some of the pueblos of the province, gold is mined by old methods.

The province is rich in gold and copper mines; coal has also been discovered at Tandag and in the island of Dinagat.

Extensive forests of fine timber are to be found in the province, but this forestal wealth is scarcely touched, as during the fiscal year the amount of forestry taxes collected amounted to only ₱2,068.65.

NON-CHRISTIAN TRIBES.

In the interior of the province tribes of Manobos, Mandayas, and Mamanuas still exist, though they hold but little intercourse with the Christian inhabitants. The Manobos and Mandayas are hard-working and industrious, while the Mamanuas are the enemies of all work and lead a wandering life.

POLITICAL.

Out of the 12 municipalities in the province, 5 are of the third class and 7 of the fourth class.

Seven municipal officials were relieved by resignation, while four were dismissed, one of them a municipal president.

During the three months that I have been at the head of the government of this province, it has been impossible for me to visit all of the municipalities owing to my having to take charge of the duties of provincial secretary; I am not, therefore, in a position properly to detail in this report the workings of the municipal governments. However, from what I have seen in the municipalities that I have visited and from my observations of them during the time that I was provincial secretary, I can say that with the exception of a few, the progress of municipal administration leaves much to be desired, due principally to the lack of activity and energy on the part of some municipal officials in the enforcement of the provisions of the municipal code, and in part to the lack of inspection by the former governor, whose delicate health would not permit him to make regular tours of the municipalities. But I believe that this defect in

the administration of municipal governments will gradually disappear with the supervision of the provincial governor.

Truly enviable peace and tranquillity reign throughout the province. One can travel through fields and mountains in every corner of this province without fear of being attacked by thieves, there being none here.

PUBLIC HEALTH AND SANITATION.

The condition of the public health between July, 1905, and June, 1906, has been satisfactory, except in the pueblo of Tandag, which has suffered quite a good deal from malarial fever that has been responsible for a considerable number of cases of sickness and death. I believe that if the inhabitants of the pueblo of Tandag had had more faith in the efficacy of quinine pills than in vegetal remedies of doubtful value, they would have entirely avoided, or at least arrested, the spread of the fever and the deaths resulting therefrom.

Municipal boards of health have been established in the pueblos, and in the capital of the province the provincial board of health has looked after sanitary matters. The latter went out of existence on June 30 last by virtue of the provisions of act No. 1487.

The provincial board of health had enacted precise regulations regarding the preservation of health and the prevention of the introduction and spread of plagues.

LOCUSTS.

During the months of August and September of last year locusts put in an appearance in the pueblos of this province, devastating the plantations of corn in the pueblo of Surigao and in others of this province.

Last May they reappeared and I immediately sent out circulars to the municipal presidents recommending that they take efficient measures to exterminate the plague, under the provisions of act No. 817; but up to the present time I have received no news from any town as to the measures adopted by the presidents and councillors for their extermination.

RECOMMENDATIONS.

It is advisable to have section 8 of act No. 83, as amended, changed in the sense of making it incumbent upon the provincial secretary to perform the duties of the provincial governor, not only when the latter is absent from the province or inspecting the pueblos, but also during his illness or incapacity. My recommendation is based on the fact that during the illness of my predecessor, the business of the government was neglected.

The provincial board of Surigao has this day, in commenting upon the resolution of the provincial board of Misamis recommending the consolidation of the offices of provincial fiscal in the two provinces, supported the recommendation of the Misamis board. Having carefully considered the matter separately, I have come to the conclusion that it is inadvisable to consolidate the said two offices for the following reasons: First, that the saving is only apparent, as the province of Surigao will have to pay the traveling expenses of the fiscal and a per diem during his stay in this province (which will last at least two months during each year), if the residence of the fiscal is to be fixed at Misamis; second, that the service as regards interpretation of the laws will be very deficient, as during the time he is absent from this province in the performance of his duties, or above all, if his residence is fixed at Misamis, doubts arising to provincial and municipal officials in the performance of their duties will not be cleared up in time, resulting in an impediment to the progress and workings of the government. In urgent cases there will be no one to consult, even unofficially, as the only lawyer throughout the length and breadth of the province is the provincial fiscal; and it is a well-known fact that skill in governmental administration depends principally upon timely and proper interpretation of the laws.

I therefore recommend that the proposed consolidation of the two offices be not carried out for the reasons set forth above.

Respectfully submitted,

RAFAEL ELIOT,
Governor of the Province of Surigao.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF TARLAC.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF TARLAC,
Tarlac, July 13, 1906.

SIR: I will not make a topographic description of this province as it has already been made in detail in previous reports of my worthy predecessor.

POLITICAL CONDITIONS.

The nine municipalities of which this province is composed are governed in accordance with the provisions of the general laws and ordinances enacted by the municipalities.

I sincerely confess that during the four months that I have been at the head of the provincial government. I have carefully observed that all of the municipal officials strive hard to perform their duty, devoting their attention to the promotion of education, to extirpate vice, and to the prosecution of every crime and misdemeanor, especially the theft of carabaos, and that owing to their zeal and activity there are no longer many carabao thefts recorded.

The municipal officials of the pueblos have imposed upon themselves a sacrifice singularly worthy of encomium; they are constantly inspecting their districts and instructing the common people, now teaching them the laws and ordinances in force in order that they may learn their meaning; and now inculcating wholesome customs in order that they may as far as possible avoid those depraved habits which give rise to all sorts of evil.

Caciquism is dying out in this province through the efforts of the inhabitants; fanaticism, so long pervading the minds of the common people, has fallen by its own disastrous effects, moral and social.

To the spontaneous disappearance of caciquism and fanaticism is due principally the preservation of order in this province, though it must be admitted that the patriotic labor of the municipal presidents and of the inhabitants themselves has contributed not a little toward this end, for they, knowing the direful consequences of disorder in relation to their interests, individual and collective work more than can be told to preserve the stability of peace in the pueblos at all times.

I shall not be so unjust as to forget the noble constabulary corps, for which up to the present time I have nothing but praise. The constabulary have always accompanied me in the expeditions that I have made to the barrios of the municipalities bordering on Nueva Ecija. I am aware, as is the whole province, that they are constantly away from their barracks, traversing the most suspicious places in the pursuit of people of evil lives, who are given no rest nor truce during which they might commit their depredations on this province; for this reason, it can be said that the constabulary have been one of the most important factors, if not the most important, in preserving peace and order.

To date I have received no complaints from the pueblos against the constabulary, and I am sure that if complaints have been made elsewhere they have been immediately acted upon by the officers, knowing as I do their integrity and gentlemanly character.

AGRICULTURE.

Agriculture, to-day the basis of the wealth and prosperity of this province, is in a somewhat critical and deplorable condition, which needs a prompt and efficient remedy.

It is true that Tarlac possesses very fertile arable lands and virgin tracts which are the result of recent calingins and clearings, but in spite of this fact no great benefit can be expected from them, owing to the scarcity of farm animals and of capital to put them in a condition of productiveness; to the lack of legislation making equitable and just regulations as regards the relations between farmer and tenants; to the need of good roads, and of a sure and fixed market for the sale of agricultural products, and to the ravages caused by floods, locusts, and drought. Another thing which is directly responsible for the backwardness of agriculture is the lack of legislation regarding the utilization of water from rivers and streams.

At their last regular convention held in this province on June 21, the municipal presidents of Tarlac passed a resolution petitioning for the support, influence, and authority of the governor-general for the prompt establishment in these islands of an agricultural bank, destined to save the inhabitants of this

region from the clutches of usury, and by furnishing them with money, giving all that is needful—work animals, machinery, modern agricultural implements, seeds, wages, and other necessities demanded by agriculture.

I do not mean to say by the above that the production of this province is insufficient to meet its necessities; I merely say that, considering the fertility of its fields, its production should be greater than it is at present, for though it is true that agricultural products are shipped out of the province, for instance, sugar and rice, they are not shipped in large quantities, and many times they have to be shipped into the province again when the stocks on hand in the warehouses of the landowners have become exhausted. In the majority of cases they are exported from the province, not because there has been an abundant harvest, but on account of the temptation of fabulous prices offered by dealers and without consideration of the results of such lack of foresight on the part of the producers.

Agriculture, being the only source of revenue in this province, is carefully attended to by the inhabitants of Tarlac; it is owing to their efforts that many fields formerly covered with brush are now in condition for seeding.

Owing to the prolonged drought during the year just past plantations that were exuberant and promising at the beginning did not yield the abundant harvest expected as production suffered a decrease of from 30 to 50 per cent.

The products from which our principal revenue is derived are: rice, which is cultivated in all of the pueblos of Tarlac, and sugar, which is manufactured, though on a small scale, in the pueblos of Bamban, Capas, Concepcion, Pura, Moncada, Paniqui, and Tarlac. Corn, sesamum, monga, and other crops cultivated are of no importance. Experiments in the cultivation of maguey are now being made, and as it requires but little care it is hoped that good results will be obtained within a comparatively short time.

Large plantations of the ilang-ilang tree have been made at Tarlac, and considering the growth already attained by them, it is hoped that within three years or so they will fulfill the expectations of their owners by yielding the crop hoped from them.

COMMERCE.

Owing to the lack of capital commerce is not carried on upon a large scale by the natives, with the exception of a few who do a little trading in connection with their agricultural labors. The business is in the hands of Chinese and other foreigners. It consists in general merchandise, sugar in small quantities, palay, rice, lumber, and articles imported from Manila which do not deserve mention on account of their small importance.

INDUSTRY.

There is but little industry in the province of Tarlac.

Of rice hulling and cleaning factories there are five; two in the pueblo of Moncada, both owned by natives; one in the municipality of Tarlac, also owned by a Filipino; and two in Paniqui, one owned by a Filipino and the other by a Chinaman. There is one sawmill in the barrio of San Miguel, municipality of Tarlac, which is the property of the Compañía Tabacalera.

The weaving of textiles which is carried on in Tarlac is of no importance as the product is insufficient to meet the demands of the families who devote their time to this industry.

There are only two vino distilleries in view of the fact that the others have had to close down owing to their inability to pay the heavy taxes imposed by the internal-revenue law. It is due to this cause that molasses has decreased greatly in value, being the raw material used in this province in the distillation of native vino.

The lumber industry, which formerly constituted the largest source of revenue to our working classes that found a comfortable living in the business, has also materially decreased owing to the establishment of large private estates, to the restrictive regulations of the forestry laws, and to the very strong competition of lumber imported from America and abroad which comes into the country with very light duties.

NATURAL RESOURCES.

The forestal wealth of Tarlac, developed on a large scale by natives and foreigners from the year 1899 until recently when its development ceased owing to the reasons above mentioned, has suffered a great loss and it will be difficult to restore it to its former prosperous condition in less than fifteen years, if then.

This wealth, formerly also a large source of revenue to the province, has suffered from the large clearings annually made by the *caliñga* system.

Up to the present time no mines have been discovered, with the exception of two deposits of gypsum, one in the pueblo of Capas and the other in the ex municipality of La Paz, now a part of the provincial capital.

FINANCIAL.

The soil of the province of Tarlac can not be compared to that of the old provinces of Bulacan, Pampanga, and Pangasinan as Tarlac is a province recently organized and composed of pueblos which belonged to Pangasinan on the north and Pampanga on the south. However, it is not lacking in resources; its revenues are more than its expenditures.

Had it not been for the fire which destroyed the fine provincial building and all its contents, on the 19th of last March, we would not to-day be indebted to the insular treasury.

Our financial officials have demonstrated a great deal of ability, honesty, and zeal in the performance of their official duties and to their skill is due the flourishing condition of the provincial and municipal treasuries.

The good roads constructed during the years 1902, 1903, 1904, and 1905, bringing all of the pueblos in communication with one another, and the provincial school, which cost about ₱30,000, have been paid for exclusively with provincial funds.

Cedulas of class A, have been issued to an amount 16 per cent greater than last year.

The revenues for the year ending June 30, 1906, amount to ₱57,121.81.

PUBLIC WORKS.

The work which has been done at the expense of provincial funds is as follows:

1. The road from Tarlac to the municipality of Victoria, 7½ miles long and 6 meters wide. It has 10 wooden bridges.
2. That from Tarlac to the ex municipality of La Paz, 8 miles long and 6 meters wide; 15 wooden bridges.
3. That from Pura, formerly Gerona, to the ex municipality of Pura, 3 miles long by 7 meters wide; 8 wooden bridges.
4. That from Pura, formerly Gerona, to Paniqui, 3 miles long by 7 meters wide; 9 wooden bridges.
5. That from Paniqui to Camiling, 12½ miles long by 6 meters wide; 7 wooden bridges.
6. That from Paniqui to the ex municipality of Anao, 4 miles long by 5 meters wide; 14 wooden bridges.
7. That from Camiling to the barrio of Bilad, on the boundary between Tarlac and Pangasinan, and thence in the direction of Bayambang, Pangasinan, 3 miles long by 6 meters wide; 12 bridges, wooden, and 3 stone culverts.
8. That from Pura, formerly Gerona, to Tarlac, 10 miles long by 6 meters wide; 2 wooden bridges.
9. That from Capas to Concepcion, 5 miles long by 5 meters wide; 1 wooden bridge, and 4 cement culverts.
10. One two-story building constructed at the provincial capital for a provincial school.

There is at present under construction the Tarlac dike, some 2 kilometers long, which will protect the town from the periodic overflow of the Tarlac River. The funds for the said work have been obtained as follows: From the provincial treasury ₱3,000; from the municipality of Tarlac, ₱1,000; from voluntary subscriptions, ₱5,300; and from the Congressional relief funds, \$16,000. I improve this opportunity to express to the honorable Commission the sincere gratitude of this provincial capital and my own for having approved our petition and donated the ₱16,000 which we needed to commence the work. Upon my recommendation said work has been temporarily suspended until after the wet season; the only work now prosecuted being the driving of piles, and this is carried on in so solid a manner that there is no fear of their being borne away by the current. The engineer in charge of the work has however recommended that even this work be entirely suspended in order that the payment of wages may stop for the present, as the laborers can not be properly supervised during the rainy season, and also to avoid complaints and criticisms on the part of the

people. This suggestion, which I support, will I think be acted upon favorably by the bureau of public works.

By next November the provincial board hopes to begin work on the new provincial government building on the site selected by the municipal presidents and recommended by them to the provincial board. The insular government has advanced the province a loan of ₱50,000, payable in six years, for this work.

PUBLIC INSTRUCTION.

The sacrifices made by the worthy heads of the educational department in their praiseworthy labor of making education general throughout these islands have found efficient and laudable support on the part of the inhabitants of Tarlac, who realize that the intellectual and economic progress of the pueblos depends upon the culture of the natives, and it is to this end that the municipal officials devote their efforts and attention to the promotion of education by constructing schoolhouses even in the most remote barrios with municipal funds and money contributed voluntarily by the inhabitants, who, knowing full well what the sovereign power requires of them in this respect, gladly contribute their mite, probably the only saving they possess, in order to aid the noble work of our social and political regeneration, which has been undertaken earnestly, generously, and disinterestedly by our sovereign country. As a matter of fact, in all the pueblos of this province, in addition to the schools already built on our public squares, new ones are under construction for the exclusive purpose of serving as temples of education; all of which proves, both at home and abroad, that this country is not an enemy of progress nor so uncivilized and ignorant as some people suppose.

In the old days, when children went to school it was because they were compelled by their parents through threats or corporal punishment or because they were given metallic stimulus. With all that, few children were apt scholars; indeed, the exceptions were rare. In a few words, they were refractory to education, perhaps because severe punishments were dealt out in the halls of learning or because they lacked the incentive of future reward for all their sacrifices and labor, or perhaps, because in those times the educated man had the prospect before him of either going to jail or being deported. Now that cruelty of every sort has disappeared, the young people flock to the schools without the necessity of encouragement or hope of immediate reward, being attracted by the new horizon of a bright future.

There are at present 9 primary schools in the towns; 52 barrio primary schools; 4 intermediate schools, in all, 65 schools. There are 17 American teachers, 10 insular Filipino teachers, and 95 municipal teachers; in all, 122 teachers. Over 8,000 children attend the schools; 500 of them, more or less, attend the intermediate schools, of which number approximately 100 help in the primary schools without compensation. In addition to these there are private schools in the pueblos and barrios maintained by the residents, where Spanish is taught.

PUBLIC HEALTH.

During the fiscal year just ended there were 44 cases of cholera and 33 deaths in the province of Tarlac, a mortality of 75 per cent. The municipalities where the cholera made its appearance are: The capital of the province and the municipality of Capas. The first case, that of a girl 12 years of age, came from the pueblo of Quingua, Bulacan, about the beginning of last January; the last case was at the municipality of Capas, on the 16th of last March, the victim being an employee of the bureau of navigation who brought the infection with him from the pueblo of San Fernando de la Pampanga.

All necessary measures and precautions to prevent the spread of the disease from Manila and neighboring provinces have been at all times taken by sanitary officials and employees, both provincial and municipal, and the like was done to arrest its spread within the province.

Since the middle of last February several cases of smallpox have been recorded in the municipality of Moncada, and since the middle of May in the pueblo of Pura. In both pueblos hospitals have been established, or rather all cases have been properly isolated and looked after to prevent contagion.

From the month of February to the end of July, vaccination was constantly carried on, the provincial board of health having distributed during that time some 15,000 vaccine units and used about 14,000. The first case of smallpox came from Pangasinan.

In general terms it can be stated that the health of the province has been excellent during the year, as is demonstrated by the excess of births over deaths. This result, there are reasons for believing, is due to the constant zeal and activity of the boards of health, provincial as well as municipal, in the performance of their duties.

POPULATION.

From the above statement is inferred the great increase in the number of inhabitants of this province during the few years which have passed since the compilation of the census; for as it gave a total of 133,513 civilized inhabitants at that time, now, according to official data furnished by the provincial board of health, this number has increased to 141,000 civilized inhabitants.

PAGAN TRIBES.

Special municipal organization has been given to many settlements of Aetas or Negritos, in the hills of Camiling; Bamban and Moriones, of the municipality of Tarlac; O'Donnell, of the municipality of Capas, and in the municipality of Pura, these governments being administered by persons selected from among their own number.

With the exception of those of Camiling, who lead a life of savagery, the tribes in the other pueblos are semicivilized, for, in addition to their special organization, they have their own dwelling houses and dress in identically the same manner as the Christian natives; while the majority of their children have been baptized Catholics.

Many of them are not at all refractory to every idea of civilization, especially those of Bamban, Tarlac, Pura, and Capas, who are desirous of receiving an education different from their present training; they hope that means will be furnished them to the end that they may learn to read and write. During my visits in 1904, when I was acting governor of this province during the absence of Governor Ramos, they so expressed their desires to me.

They devote themselves to the cultivation of palay, tubers, and vegetables, on which products they live, with the help of fishing and the chase.

Respectfully submitted.

MANUEL DE LEON,
Governor of the Province of Tarlac.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF TAYABAS.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF TAYABAS,
Lucena, July 23, 1906.

SIR: I have the honor to submit for your consideration the following annual report for the fiscal year ending June 30, 1906.

GENERAL CONDITIONS.

Never has the province of Tayabas enjoyed such peace and tranquillity as during the past fiscal year. In none of the municipalities or barrios has there been the least disturbance of the public order at any time.

Fortunately, we have not had to deplore the existence of one single organized band of robbers, nor the commission of thefts of any importance in town or country, in spite of the fact that the province of Tayabas, on account of its size and mountainous character, apparently affords an appropriate field for bandits, which, in fact, it has been, even during the time of Spanish government.

The inhabitants of Tayabas are not disrupted by differences in political creeds, which do not here exist.

The electoral struggles, provincial as well as municipal, which were strenuous, were based solely on differences of opinion regarding the capacity of the candidates to perform the duties of the offices to which they aspired, and it is a great satisfaction to have seen that all traces of such struggles have nearly always disappeared after the successful candidate had entered upon the performance of his public duties.

Caciquism, as a social evil, does not exist in this province. It is true that in nearly all of the pueblos there are persons or families who enjoy great influence, and who, in the majority of cases, control public opinion, but neither such persons nor families use their influence to abuse the people, nor, I believe, could they do as they pleased with the people should they so desire.

As a general rule the common people live happy and satisfied; justice is administered to them, their rights are not overridden by the directing class, and those who do not possess their own bit of land to cultivate, which is a rare exception, do not lack employment. The directing class is in the majority, if not wholly, composed of rich agriculturists who love peace, are law-abiding, and devote themselves entirely to the care and development of their property. It is not too much to say that there is perfect accord between rich and poor, cultured and uncultured, and that all are devoted to their work and to the education of their children.

Religious fanaticism has almost entirely disappeared. The inhabitants of the pueblos are as a rule very religious, but no minister of any religion can boast of having complete control of the public conscience.

The Colorem, a religious sect composed of fanatics, whose existence dates back to the time of Spanish government, is losing its adherents. There still remain, however, a few hundred persons affiliated with this sect, who from time to time meet in the mountains of San Cristobal, in this province, to give themselves up to their religious practices.

Municipal administration, as I have been able to appreciate personally during my visits of inspection to the pueblos, is, as a general rule, in very good condition. The municipal resolutions and ordinances at present in force demonstrate that the members of the municipal councils have a perfect knowledge of the municipal code and are interested in the public welfare.

The municipal police, however, leave much to be desired. In my opinion, the deficiencies of this service are due, among other causes, to the poverty of the municipalities, as they are unable to maintain the number of police required, or to pay the few they have adequately.

It is true that act No. 781 empowers the provincial board to designate the number of police in each municipality, and to appropriate from provincial funds the necessary sum to help the municipalities in the maintenance of a police force, but this wise provision of law can not mend matters in a province like Tayabas, where the provincial government has scarcely sufficient money for its own needs. The remedy, therefore, lies in the insular government coming to our aid.

Thrown upon their own resources the poorest municipalities are able to pay only ₱4 a month to the men of the force, while others, in better financial condition, pay ₱18. With such salaries it will be understood that no person capable of doing any sort of good work wants to be a policeman.

There are in the province 13 officers, 14 sergeants, 10 corporals, and 185 men on the force, making in all 222 members, or 1 policeman to every 922 inhabitants, the population of Tayabas, according to the census, being 204,739.

In spite of all said with regard to the deficiencies of the municipal police I have not yet had occasion to call upon the constabulary to perform services incumbent upon the municipal police.

The relations between the constabulary and municipal authorities and provincial officials are harmonious. The same remark applies to the relations between the constabulary and the people.

Up to the present I have had no difficulty whatever with any member of the constabulary; on the contrary, they have helped me in every way.

The provincial board goes ahead with its work admirably; its members are in perfect accord and each one of them shows special interest in the province.

AGRICULTURE.

Agriculture is the principal if not the only source of wealth in this province.

In spite of the combined efforts of citizens and public officials tending to encourage agriculture, it is not yet in as flourishing a condition as it was prior to the revolution. Rinderpest still claims its victims among our work cattle; the war, without quarter, waged against the locusts has not entirely exterminated them, and heaven is not lavish in giving us the water needed by our fields.

So many enemies threatening death to our agriculture, far from discouraging our planters, have stimulated them. The lack of work cattle is compensated by

broadcast sowing of rice, but the existence of locusts tries the constancy and indefatigable activity of the people of Tayabas, while the drought is resulting in the construction of new irrigation canals every day.

The people are beginning to avail themselves of the benefits conferred upon them by the public-land laws, and I have earnestly recommended the municipal authorities to encourage them and afford them every facility in this. Many applications for homesteads and free patents have been filed.

The principal agricultural products, in the order of their relative importance, are as follows: Rice, hemp, and copra.

Rice.—This product, or rather paddy, is grown in all of the pueblos, and though some of them produce a sufficient quantity to sell, many do not have enough for local consumption; so that the province, considered as a whole, is an importer of this staple article.

The rice harvested this year was reduced to 10 per cent of the ordinary crop in the pueblos of the island of Marinduque and on the China Sea coast, but thanks to vegetables and roots, the poor people in all those pueblos were not the victims of famine. In the island of Marinduque the good price for hemp contributed not a little to saving a critical situation.

On the other hand, the pueblos bathed by the Pacific Ocean had an abundant harvest, the first since American domination, particularly the pueblos of Alabat, which harvested 60,000 cavans; Balor, 13,110; Gumaca, 21,900; Infanta, 148,000; Lopez, 12,466; and Mauban, 17,840.

Let it not be thought, however, that all of this harvest was produced by the paddy lands cultivated with the aid of the carabao; a great part has been the result of the *cañgin* system—overgrown land, the result of uncultivation, has been planted without the use of the plow by the broadcast method.

Fourteen municipalities, according to the figures furnished by themselves, harvested 186,525 hectoliters of rice, which, compared to the 164,775 hectoliters harvested in all of the province in the year 1902, according to the census, shows that the fourteen municipalities alluded to alone produced 21,750 hectoliters more than the whole province in the year 1902.

I have been unable to obtain the data as regards the rice harvested in the other eleven municipalities, but, however little they may have harvested, it can be seen that in spite of what has been said regarding the pueblos of the island of Marinduque, as well as those on the coast of the China Sea, the province as a whole has improved its condition as regards rice since 1902 to the extent of having at least reached the level of Zambales, a province immediately above that of Tayabas in rice production, according to the census.

Hemp.—Out of the twenty-five municipalities in the province, eighteen have lands suitable for the cultivation of hemp; but, with the exception of the islands of Marinduque and Mauban, the balance of the pueblos of the province gave very little attention to this crop during the past fiscal year. However, people are beginning to take to it, and during the fiscal year the following number of plants was set out.

Plantations of hemp.

Municipality.	Quantity.	Municipality.	Quantity.
	<i>Number.</i>		<i>Number.</i>
Santa Cruz.....	570,600	Pitogo.....	113,000
Boac.....	233,316	Alabat.....	80,000
Infanta.....	200,000	Tiaong.....	15,000
Lopez.....	177,411	Pagbilao.....	2,063
Tayabas.....	161,680		
Gumaca.....	161,625	Total.....	1,714,695

In other municipalities also some hemp has been planted, though in small quantities.

The production of hemp throughout the whole province is on the increase, as will be seen from the figures hereunder, furnished by some municipalities. Other pueblos which produce hemp are not included in the following table, as the presidents have been unable to give the necessary information.

Production of hemp.—Pueblos of the Pacific coast, 18,000 piculs; pueblos of the island of Marinduque, 18,881.50 piculs; making a total of 29,046.98 piculs, equivalent to 2,470,204 kilograms, which, compared to the 2,464,128 kilograms produced by the entire province in the year 1902, according to the census, shows an increase of 6,076 kilograms. It must not be forgotten, as we have said above,

that the figures given in the foregoing table of this year's production refer only to a part of the province, as it has been impossible to obtain data from other pueblos also producers of hemp, while the data given as the production of 1902, according to the census, refer to all of the province.

The best class of hemp grown in the Island of Marinduque and known under the name of quillot is reputed the best quality in the entire archipelago.

Copra.—Tayabas is the chief copra-producing province. In all of the municipalities may be seen extensive groves of cocoanut trees, and every year new plantations are set out. Last year the following number of trees was planted:

Municipality.	Cocoanut trees planted.	Municipality.	Cocoanut trees planted.
	<i>Number.</i>		<i>Number.</i>
Tayabas.....	145,862	Alabat	25,000
Santa Cruz.....	99,618	Boac.....	25,000
Sarliaya	50,802	Catanauah	25,000
Infanta	47,000	Pagbilao.....	13,963
Gumaca.....	40,770	Mauban	10,000
Lopez	38,445		
Tiaong.....	35,000	Total	556,490

Only twelve presidents have made the count of new trees planted in their municipalities, with the result given in the above total. It is positive, however, that all of the other pueblos of the province have set out plantations, and therefore it would be no exaggeration to say that 1,000,000 cocoanut trees have been set out throughout the provinces, representing 5,555 hectares of land newly brought under cultivation (170 to 180 trees per hectare).

The copra production was as follows:

Pueblos of the center (Lucena, Sariaya, Tayabas, and Pagbilao)	piculs	158,544.00
Island of Marinduque (Boac, Santa Cruz, and Gasan)	do	16,367.00
Pueblos of the Pacific coast.....	do	80,000.00
Pueblos of the coast of the China Sea.....	do	6,664.96
Total		280,614.96

280,614.96 piculs equal to.....	kilos	17,752,368
Production in 1902, according to the census.....	do	21,629,476

Decrease		3,877,108
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This decrease of production as compared to 1902, according to the census, was due solely to the terrible cyclone which passed over this province on September 26, 1905. This storm produced deplorable results on agriculture. Fifteen per cent of the cocoanut trees were blown down, lost their leaf stalks, flowers, or fruit. Many domestic animals were killed, and a large number of buildings were destroyed or more or less damaged.

The loss suffered by the province of Tayabas amounted to many millions, the effects of the cyclone being felt to the present time. It was the severest storm that has ever been known in this province.

Coffee and cacao.—The cultivation of coffee and cacao is conducted on an insignificant scale in this province, in spite of the fact that it would give excellent results in the many highlands with which the province abounds, such as the skirts of Mount Banahao and the foothills of the Infanta Mountains.

The pueblos that have planted these crops on a small scale are given hereunder:

Pueblo.	Coffee plants.	Cacao plants.
	<i>Number.</i>	<i>Number.</i>
Alabat	3,051	2,300
Lopez	2,005	2,195
Pagbilao		500
Sariaya	500	250
Total	5,556	5,245

The production of other crops such as sugar cane, tobacco, corn, pineapples, etc., is limited to supplying local demand. Santa Cruz de Marinduque produced 300 piculs of tobacco last year. Tapioca is produced in fair quantities in all of the pueblos and in large quantities in the pueblos bathed by the Pacific, but, owing to the lack of buyers in the locality, it is not prepared for market. Maguey, especially the sansevieria variety, owing to the fact that seeds of other varieties are not available, is claiming the attention of agriculturists, though up to the present time the area under cultivation is relatively small.

The opening of the road from Pagbilao to Atimonan, the improvement of the one between Sariaya and Tiaong, and the good condition of that from Lucena to Sariaya and from Lucena to Pagbilao have had a notable influence on agriculture. The lands which have been opened up along the routes of these roads are palpable evidence of this fact. Wherever the eye of the traveler rests along these roads extensive tracts of land recently brought under cultivation by the broadcast system of rice planting, which will later be converted into cocoanut groves and hemp fields, according to the nature of the soil, meet his gaze. Nothing is said of the road from Lucena to Lucban, as all of the land on both sides has been cultivated for years back.

The change in the method of cultivating the cocoanut is becoming generally adopted; selected seeds are used, and the groves are kept clean of weeds, while some planters go so far as to use the plow for turning the soil. Instead of having the trees planted at from 20 to 22 feet from each other, new plantations have them from 28 to 30 feet apart, with the result that the trees bear quicker and better.

To supply the loss of cattle, which is a great drawback for agriculture, attention is respectfully invited to the plan outlined with regard to this particular in the section of this report dealing with the subject of recommendations.

Cattle.—Before the rinderpest this province was very rich in cattle. The extensive fields of Catanauan, Mulanay, Bondoc, and San Narcisco were literally covered with cattle of all sorts, and the same thing is true as regards the fields of Sariaya, Candelaria, and Tiaong. The rinderpest, however, decimated our cattle, and still continues to do so, though fortunately, up to the present time, the province is not obliged to import any sort of cattle, but on the contrary Alabat, Baler, Casiguran, Infanta, and Polillo export carabao; Santa Cruz and Torrijos, cattle and horses, and Mulanay, cattle, though on a small scale.

The following table shows the number of large cattle registered and branded during the year 1905, in accordance with the provisions of act No. 1147, and may give some idea of the condition of the cattle industry in this province:

Number of cattle branded.

Pueblo.	Carabao.	Cattle.	Horses.
Alabat.....	780	73	.....
Baler.....	230	8	18
Calauag.....	630	8	18
Gumaca.....	436	200	100
Guinayangan.....	.....	6	20
Infanta.....	1,347	9	111
Lopez.....	789	8	43
Lucena.....	1,000	150	800
Mauban.....	1,140	15	855
Pagbilao.....	620	1,200	506
Sampaloc.....	560	.....	.....
Santa Cruz.....	909	696	707
Torrijos.....	71	301	100
Total	8,512	2,664	3,278

* Cattle-trading municipality.

COMMERCE.

All of the commerce of this province is confined to the exportation of copra and hemp and the importation of rice. Lumber is also exported from Calauag and Guinayangan. Other products imported and exported are not of much importance.

The Compañia Tabacalera, through its agencies, buys the larger part of the hemp and copra produced in this province and exports same to Manila. At

Lucena there is another commercial house, that of Joaquin García López, which is in the copra business. At Atimonan and Mauban, besides the Compañía Tabacalera, there is a corporation whose capital is purely Filipino and which is engaged in the copra and hemp business; at Mauban there is another commercial house engaged in the same business, which is that of the Widow Arego. In the pueblos of Sariaya, Tayabas, and Lucena some agriculturists pool their products and send them to Manila direct.

All of the hemp and copra produced has been exported and the value of same must have been at least ₱496,898 for the hemp and ₱1,286,707 for the copra.

Rice is imported by the same houses above mentioned and by Chinamen, the latter also being engaged in the hemp and copra business in the island of Marinduque.

It has been impossible to obtain even approximate information as to the amount of rice imported, as the merchants, especially the Chinese, are not very fond of giving information with regard to their business; but judging from the relatively low price of said article (from ₱5.50 to ₱6), and the absence of fluctuations characterizing former years, it can be assured that the importation has been less this year.

The following forestry products have been exported during the fiscal year:

Lumber.

First group-----	cubic meters--	2, 869. 67
Second group-----	do-----	2, 056. 01
Third group-----	do-----	839. 24
Fourth group-----	do-----	1, 392. 77
Total-----		7, 157. 69

Miscellaneous products.

Firewood-----	cubic meters--	18, 466
Rattan-----	pieces--	2, 420, 670
Tan bark-----	hundredweight--	80. 21
Dyewood-----	do-----	385. 00
Resin-----	do-----	378. 08

It is impossible to determine or even make an approximate estimate of the value of the forestry products exported, owing to the fluctuations in prices, but there can be no doubt that the amount was over ₱100,000.

INDUSTRY.

The agricultural industry is in a very rudimentary state.

None of the machines recently invented for stripping hemp has yet been tried by any planter, and the process followed in making copra is still the old and primitive one.

In three or four pueblos there are rice-cleaning machines, moved by water power.

The cocoanut oil consumed in the province is obtained from the copra without the aid of modern machinery.

The most important manufacturing industry is the making of hats from the buntal and buri fibers at Lucban, and from buri at Sampaloc and Mauban. The peculiarity of this industry is that it provides occupation to many women and girls during their leisure hours. The pueblo of Lucban receives an income of ₱96,000 a year from the sale of buntal and buri hats, and the pueblos of Sampaloc and Mauban, ₱36,000 and ₱60,000, respectively, from the sale of buri hats. The buntal hat manufactured at Lucban is considered one of the best in the world.

The municipality of Catanauan almost supports itself by the manufacture of buri sacks, made by women and children.

Sinamay is woven in several pueblos, especially at Boac, Santa Cruz, Gasan, Pitogo, Mulanay, Atimonan, Gumaca, and Lopez, those textiles woven in the pueblos of the island of Marinduque, Boac, and Santa Cruz competing with similar manufactures of Albay and the Visayan Islands.

Mauban makes a specialty of weaving very fine white buri mats embellished with worsted embroidery in vivid colors. Infanta, Baler, and Casiguran weave

the rough burl and the pliant sabutan in the making of mats, which are likewise interwoven with bright-colored worsteds.

Nurseries for the cultivation of betel trees is an exclusive industry of the pueblo of Sampaloc, which reaps a revenue from it of at least ₱8,000 a year. Betel trees ready for transplanting are supplied by this pueblo to those of the provinces of La Laguna, Bulacan, and Rizal that are engaged in their cultivation.

Fish ponds, similar to those at Malabon and Bulacan, have been established at Sariaya.

Manufactures.—In the municipality of Tayabas a cocoanut-oil factory, operated by hydraulic power, has been established. It has an output of 100 tinajas of good oil. The by-product of this factory is good food for animals. This same factory converts the outer husk of the nut, called bonot, into a fine fiber which is used for filling cushions, pillows, and for calking, etc. Since the establishment of this factory the price of copra in the pueblo of Tayabas has remained steady and good, relatively speaking.

Soap factories are found in several pueblos, all conducted by Chinese. The raw material used is cocoanut oil.

Many distilleries using the sap of the cocoanut tree and of the nipa palm have been closed down. This has been due not only to the internal-revenue law, but also to the fact that bad crops have reduced the consumption of both classes of spirits. Some distilleries, however, are still running, especially in the pueblos of the central part of the province.

In all the province there is only one cigarette factory, located at Lucena, which has four machines working night and day.

There are two sawmills, one at Lucena and the other at Tiaong; the first is shut down, while the second has not a great deal of work.

The towns of Lucena and Tayabas have small carriage and cart manufacturing establishments. At Lucena there is also an ice factory run by the United States Government.

NATURAL RESOURCES.

Forestry.—Timbers of the first group abound in the pueblos of Alabat, Atimunan, Baler, Calauag, Casiguran, Guinayangan, Gumaca, Infanta, Lopez, Pitogo, Polillo, and Sariaya. In the pueblos of Baler, Casiguran, Infanta, and Polillo molave is not found.

Minerals.—The number of mining claims recorded during the fiscal year ending June 30, 1906, was as follows:

Class of mines.	Location.	Claims recorded.
		<i>Number.</i>
Guano	Pagbilao	2
Coal	Polillo	35
Petroleum	Mulaney	4
Limestone	Pagbilao	1
Placer	do	1
Total .....	.....	43

The Polillo coal has been tested at the insular ice plant with satisfactory results.

Clay, suitable for pottery making, is found at Unisan, Pitogo, and Casiguran, but no claims have been recorded.

Thermal waters of reputed medicinal value exist in the municipalities of Tayabas and Gasan. The former are known as the Maiuit springs and the latter as the Buenavista or Boac springs.

NONCHRISTIAN TRIBES.

The following infidel tribes exist in the province of Tayabas: Catabaganes, Negritos, and Ilongot.

The first named are found in the mountains of Guinayangan and are an intermediate class between the Negritos and Christians. They are peaceable and live on roots and rice, which they plant broadcast in their mountain retreats. There are scarcely 100 families of this tribe; about 78 living in the sitio of Caraligan, between Guinayangan and Calauag, and some 51 in the sitio called Tiwtiw, near the barrio of Guimballan, of the municipality of Guinayangan.

Recently these people were brought under the influence of civilization, a kind of municipal council having been appointed for them, and their children are desirous of receiving education in the public school at Pirlis, a barrio of Guinayangan. Every sort of consideration is shown them in order to induce them to become attached to a civilized life, as I believe them capable of being educated.

The Negritos live in the municipalities of Alabat, Baler, Casiguran, Guinayangan, Infanta, Lopez, Mauban, Polillo, and a very small number in the central pueblos of the province. There are none in the island of Marinduque.

The number of Negritos having relations with some of the residents of the pueblos, within whose jurisdiction they live is about 2,000.

This race is generally peaceable, and it is only in the pueblo of Casiguran that there are some sanguinary individual Negritos living at Mount Simbahan, within the jurisdiction of the said municipality.

I have endeavored to bring the Negritos under the influence of civilization, and in some municipalities, as Baler, Casiguran, Infanta, and Mauban, they already have their own presidents, councillors, and police who help the municipal authorities by reporting the presence of malefactors in the mountains. Even the sanguinary Negritos of Casiguran now go down to the pueblo and rub shoulders with the townspeople.

Sometimes the Negritos at Baler, Casiguran, and Infanta work on plantations owned by Christian Filipinos, or help to clear their land, or else sell them resins and other forestry products. In all such cases the Christian Filipinos living in the municipalities mentioned have received instructions to pay them well.

It is impossible, however, for these Negritos to become civilized.

The Ilongot are found only in the mountains of Baler, from Dipaculau, Diarabasin, and Dinadlauan to Isabela toward the north, and from the mountains of San Jose de Cassignan as far as Pantabangan and Carranglan toward the west.

They are a ferocious race, always on the lookout for an opportunity to kill the inhabitants of every other settlement.

The road between Pantabangan and Baler is wont to be the scene of these attacks on the part of these infidels on Christian Filipinos.

During the time of Spanish government troops were wont to be sent to the mountains to punish the Ilongot when they assassinated Christian Filipinos, and then the former would either surrender or remain quiet for some time, paying a tax of 25 centimos for each male inhabitant over 18 and under 50, collectible in tobacco leaves, as they had no money. Then, their local authorities were appointed from among their number. Practically, however, these authorities, appointed by the Spanish Government, were never acknowledged or recognized by the inhabitants of each settlement, those really recognized as such being the leaders whose valor and greater ferocity inspired terror in all others. The Ilongot of San Jose, Dipaculau, Diarabasin, and Dagcan were the ones subjugated by the Spanish Government, and their number amounted to some 6,000 souls. The Ilongot, to the north of Dagcan, never recognized the sovereignty of Spain, and as no Christian has ever been there, their number can not be estimated, but it is known that they are more numerous than the Ilongot who were subjugated, from the information given by the latter.

The Ilongot of all the settlements sow rice by the broadcast system, sweet potatoes, corn, sugar cane, and a large quantity of tobacco. Their products, especially tobacco, are traded with the Christian Filipinos for red cloths, which they use for breech clouts, and wire, which they use for self-adornment.

Their warlike arms are the arrow, the campilan (a wide bolo very light and well sharpened, about 2½ handbreadths in length), and the lance. Their defensive arm is a shield 3 feet long by 1 foot wide, called calasag.

Their attacks are always characterized by treachery; they lie in wait in the brush and ambush their victims; from their hiding place they use their lances, and when wounded despatch their enemies, taking their heads and leaving the body where it fell. The head is carried away and preserved as a trophy of war, a feast being celebrated upon the arrival of the head at their settlement.

For an Ilongot to marry it is necessary that he first bring the number of heads of Christians or infidels that his future father-in-law may designate, which heads must have been cut off by the suitor himself.

Breaches of chastity are punished by death.

I have at present appointed local authorities among the Ilongot of San Jose de Cassignan whose custom it is to report to the president of Baler every Sunday.

MUNICIPAL ADMINISTRATION.

Local roads.—During my visits of inspection to the pueblos I have referred to the necessity of maintaining the local roads in good condition, in order to promote agriculture, and with satisfaction I have seen in many pueblos that the residents of the barrios themselves have agreed to fix, improve, and maintain their respective roads, without cost to the municipality. The local roads of the municipalities of Gumaca, Lucban, Tayabas, and Santa Cruz, in Marinduque, are worthy of mention, on account of their good condition, and could be called veritable wagon roads, though narrower than the average highway. This good condition of local roads has redounded to the benefit of agriculture, as in many places, on both sides of such roads, new plantations have been set out and old ones improved.

Revenues and expenditures.—Hereunder are given the finances of each municipality, showing revenues and expenditures during the year 1905, as evidenced by municipal budgets made for the calendar year.^a

Analyzing the amount of revenues, the provincial capital, Lucena, comes first with ₱21,623.16, and Casiguran last, with ₱596.75. The latter is a pueblo formerly belonging to the old district of Principe, which was annexed to the province of Tayabas.

The sources of taxation which have supplied most of these revenues are as follows: ^a

The municipalities which have received the largest revenues from the different sources of taxation are as follows: Tayabas, from the land tax; Lucena, from cedulas; Santa Cruz, from fisheries and from cattle certificates.

The following table shows the municipal expenditures in all of the pueblos. ^a

The average expenditures for salaries and wages of officers, employees, and municipal police amount to 48.99 per cent of the total revenues.

Among the pueblos whose revenues do not exceed ₱5,000 Baler has spent the least, 52 per cent; the others, like Catanauan, Gumaca, Polillo, Sampaloc, Tiaong, and Torrijos, have spent between 57.13 and 76.27 per cent, their revenues being less. Among those having larger revenues, Boac has the highest average—78.21 per cent.

Market.—Out of the 25 pueblos in the province of Tayabas, 9 have included in their estimates of receipts revenues to be derived from market taxes.^b

Municipal cemeteries.—Only two pueblos have derived revenues from the interment of bodies in cemeteries owned by the municipality—Alabat and Santa Cruz de Marinduque.

Revenues from slaughterhouses.—Thirteen pueblos have included them in their estimates.^b

Other revenues.—It has been impossible to obtain full details of the different sources of municipal revenue during the year 1905, as in neither the annual reports of the municipalities nor in the estimates submitted for approval to the provincial treasurer are those segregated which are derived from liquor licenses, cockpits and cocktraining, municipal fines, etc., which should bring in fair amounts of revenue to the municipalities. The presidents of Alabat and Santa Cruz, however, in their reports, gave complete tables of all municipal revenues, with full classification, including fines imposed by municipal justices and collected by the municipal treasurer, and fees of justices collected for preliminary proceedings in criminal causes.

Surplus.—The pueblos which have a surplus of over ₱5,000 for the year 1905, are given in the following table, according to the order of their importance: ^c

Pueblo.	Surplus.	Pueblo.	Surplus.
Mauban	₱3,750.10	Tiaong	₱1,065.04
Lucban	2,754.56	Atimonan	914.67
Saraya	2,306.98	Pitogo	902.47
Gasan	1,648.82	Baler	511.61
Infanta	1,417.36		

^a On file in War Department.

^b Tables showing revenues from market and slaughterhouses are on file in the War Department.

^c Guinayangan is not included on account of the fact that its surplus does not correspond to the year 1905.

PROVINCIAL ADMINISTRATION.^a

Insular funds.—The road from Pagbilao to Atimonan, which was constructed with insular funds, was given an appropriation of ₱60,000 by the insular government for its completion. This road had become almost impassable during the wet season and was entirely without bridges or culverts.

In the month of January repairs were begun, and since that time favorable progress has been made.

General condition of the provincial roads.—There are some 70 miles of road that can be traversed in a vehicle: From Tiaong, passing through Candelaria, Sariaya, Lucena, and Pagbilao, to the foot of the mountains at Atimonan; from Sariaya to Canda; from Lucena, passing through Tayabas, to Lucban, and from Tayabas to Sariaya—that is to say, all the pueblos of the central part of the province, which are those mentioned, are in communication by good roads. However, in order that the road from Tiaong to the foot of the mountains at Atimonan may be in as good condition as it should, eight bridges are wanted—three between Tiaong and Sariaya, one between Sariaya and Lucena, one between Lucena and Pagbilao, and three between Pagbilao and the foot of the mountains at Atimonan. Two iron bridges between Tiaong and Sariaya will soon be built, as the plans have already been drawn and the amount necessary has already been appropriated from the funds set aside by act No. 1073. Work has commenced on a bridge between Pagbilao and Atimonan, and we hope to be able to build the one between Sariaya and Lucena. The other bridges needed will be built at some indefinite time, which we can not fix, owing to lack of funds for the purpose at present.

In the pueblos of the other coast (Mauban, Atimonan, Gumaca, Lopez, and Calauag) the roads are not even fairly passable for horses, and the same thing is true as regards those of the island of Marinduque.

Between the pueblos of the coast (Pitogo, Catanauan, Mulanay, and Guinayangan) it is impossible to travel by land except on foot.

The pueblos of the district of Infanta (Baler, Infanta, Polillo, and Casiguran) and of Alabat have absolutely no roads, all communication being by sea.

The provincial government of Tayabas can not hope, whatever its efforts, to put all these roads in good condition unless its revenues increase very largely, as to do it many hundreds of thousands of pesos would be necessary.

Buildings constructed with general funds.—Two buildings have been erected for high schools. The first, a wooden structure with a nipa roof, costing about ₱4,000, was destroyed by the cyclone of September, 1905. The second was inaugurated June 11, 1906, and cost ₱25,900, ₱13,900 of which were contributed by the provincial funds of Tayabas and ₱12,000 by the insular government. This building, of a fair size, is built of native timber, iron, and masonry.

Financial conditions.—The revenues and expenditures of the provincial government during the fiscal year ending June 30, 1906, were as follows:

Month.	Revenues.	Expenditures.
1905.		
July.....	₱7,975.81	₱15,761.88
August.....	6,901.07	9,771.07
September.....	11,496.72	10,928.69
October.....	2,572.77	12,563.85
November.....	2,236.46	9,134.44
December.....	5,437.83	7,948.83
1906.		
January.....	7,820.69	11,549.53
February.....	8,577.84	20,315.97
March.....	34,197.45	7,555.18
April.....	6,188.92	5,830.11
May.....	6,082.28	8,880.06
June.....	21,548.82	6,244.97
Total.....	121,035.66	126,484.08

Balance on hand July 1, 1906, ₱53,412.73.

As will be seen this year we have spent more from general funds than we have received, the deficiency being ₱5,448.42.

^a Data as to public works, road construction, bridge construction, are on file in the War Department.

It must be taken into account, however, that in the sum expended is included the money used in the construction of the high school, amounting to ₱13,900, which sum, if deducted from expenditures, will reduce the latter to ₱112,584.08, a sum less than the revenues by ₱8,451.58.

The following table shows the condition of the provincial cash on June 30, 1906.

General funds	₱47,964.31
Road and bridge funds	15,552.01
Congressional relief funds	568.29
Non-Christian tribes funds	190.35
Municipal deposit funds	30,723.87
Deposit of the provincial governor	83.28
Internal revenue	5,576.12
Unclassified funds	32.68
Municipal deposits	27,936.01
Official Gazette	24.00
Rizal monument	44.43
Pagbilao-Atimonan road funds	5,185.31
Lucena-Sariaya road funds	5,619.07
High school construction funds	1,036.00
Total	150,535.73

Land tax.—The total assessed value of real estate in this province is ₱18,476,274. Therefore, up to the time of the new assessment this province could derive an annual revenue from the land tax of ₱161,667.40, out of which amount ₱92,381.37 went to the municipalities, ₱23,095.34 to provincial road funds, and ₱46,190.69 to general provincial funds.

It is very probable that the new assessment has reduced the value of real estate and that, therefore, in future we can not count upon ₱46,190.69 for general provincial funds. And as the ordinary expenses of the provincial government, paid out of general funds, oscillate between ₱7,000 and ₱8,000, the future of the provincial government of Tayabas is somewhat nebulous. I do not think, however, that our revenues during the next few years will be insufficient for the ordinary needs of the provincial government, but I fear that we will not be able to save anything for the improvements that the province needs.

PUBLIC EDUCATION.

Without counting in the schools established at Baler, Casiguran, Infanta, and Polillo, from which reports have not been received, the province has 81 schools, classified as follows:

Barrio schools	50
Central schools	25
Intermediate schools	5
Total	81

Enrolment and average attendance.

	Enrolment.	Attendance.	Per cent.
Central and barrio schools	11,579	10,644	88
Intermediate schools	424	421	97
High school	16	16	100
Total	12,019	11,081	95

Comparative table between 1904-5 and 1905-6

Enrolment:	
1904-5	20,052
1905-6	12,019

A decrease of 40 per cent during the latter year.

Attendance:	
1904-5	14,198
1905-6	11,081

A decrease of 22 per cent during the latter year.

The above figures do not show the number of children attending school in the central and municipal schools of Baler, Casiguran, Infanta, and Polillo; therefore the differences in attendance between the two years is not as great as shown by the table referred to. There is no doubt, however, that there has been a diminution in the number of children enrolled, as in many places the number has had to be limited, owing to a lack of American teachers, of whom we have had a less number this year than last.

Number of teachers.

	Male.	Female.	Total.
Central schools.....	66	56	122
Barrio schools.....	29	14	43
Insular.....	7	3	10
Americans.....	19	2	21
Total.....	121	75	196

Comparative table of number of teachers in 1904-5 and 1905-6.

	1904-5.	1905-6.
Central schools.....	95	122
Barrio schools.....	69	43
Insular teachers.....	10	10
American teachers.....	30	21

The accompanying table shows the proportion of children on the average, attending the schools in relation to the school population of each municipality, in the order of their importance.^a This table shows that Gumaca occupies the first place with 56.3 per cent, and Guinayangan the last with 9.1 per cent.

As regards revenues,^b expenditures, and surplus, the municipality of Tayabas is at the head and that of Polillo at the bottom of the list.

Construction of schoolhouses.—Many schools, both barrio and central, are constructed by public subscriptions of the residents of the municipalities. The building erected exclusively with voluntary contributions of the residents of the municipality of Santa Cruz, Marinduque, in the center of that town, deserves special mention: it is a beautiful two-story building, with a capacity for 400 pupils; it is intended for an intermediate school, and all of the timbers used in its construction are from the first group, molave and tindalo predominating; it is worth at least ₱12,000. It is to be inaugurated next autumn.

The pueblos of Catanauan, Gasan, Infanta, Lucena, Mulanay, Plitogo, Sariaya, and Torrijos have constructed schoolhouses with voluntary subscriptions, and others with money lent by the municipality, in every instance the construction of such buildings being given priority over municipal buildings, rightly speaking.

Atimonan, Tayabas, and Gumaca, though having schoolhouses of their own, have surrendered their spacious halls in the municipal buildings to the children, who are so numerous that the schoolhouses can not hold them.

Mauban and Lucban are each beginning the construction of a schoolhouse to cost some ₱12,000, the residents of said towns having voluntarily contributed ₱4,000 and ₱3,000, respectively.

Every day the municipalities ask the province for loans of money with which to attend to school necessities.

All of the facts above expressed make patent the great enthusiasm of the residents of the province of Tayabas and of the municipal authorities for education, and in order to encourage them we make a recommendation in the section of this report dealing with recommendations.

^a This table is on file in the War Department.

^b Table concerning school funds on file in the War Department.

ADMINISTRATION OF JUSTICE.

The business disposed of by the court of first instance during the present fiscal year 1905-6, is detailed in the following table:

Criminal causes:

Pending July 1, 1905.....	39
Entered between July 1, 1905, and June 30, 1906.....	84
Sentenced during the year.....	53
Dismissed	57
Pending June 30, 1906.....	3

Amount collected for costs and fines ₱494.68.

Civil cases:

Pending July 1, 1905.....	49
Entered from July 1, 1905, and June 30, 1906.....	51
Decided during the year.....	36
Dismissed	38
Pending June 30, 1906.....	26

Amount collected for costs ₱991.52.

The criminal cases recorded this year are about one-half the number for last year; the number of convictions this year were 71 and for the year before 130. The proportion of crime to the population is that of 3.5 per 10,000 inhabitants.

The diminution in crime above noted is undoubtedly due to the total absence of predatory bands of robbers.

Provincial jail.—Although the provincial jail is a provisional building which does not possess the conditions as to sanitation had by the magnificent jail formerly in Tayabas, the death rate among the prisoners since the jail was transferred to this provincial capital has been 2.1 per cent, while it was 9.8 per cent during the time it was in Tayabas.

COMMUNICATION.

Telegraphs and telephones.—Last year all of the pueblos, with the exception of Infanta, Baler, Casiguran, Mulanay, Catanauan, Alábat, and Polillo, were united by telephone and telegraph, including the island of Marinduque. Since the baguio of last September a great many of the telephone lines that were blown down have not been repaired, so that now only the following pueblos can communicate by telephone: Pagbilao, Lucena, Sariaya, Candelaria, Tayabas, and Lucban, as well as López and Caláuag. There are telegraph stations at Boac, Lucena, Tayabas, Pagbilao, Atimonan, Gumacá, López, and Guinayangan.

Postal service.—A regular and fair postal service has been established between all of the pueblos of the province.

PUBLIC HEALTH AND SANITATION.

Health.—The pueblos of the province are gradually coming to understand that sanitation is the basis of good health. On visiting the pueblos the first thing that attracts attention is the cleanliness of the streets, lots, squares, and private houses. In none of the pueblos are swine allowed to run at large within the town, and this is true as regards other animals: stray dogs are fewer as the result of municipal licenses. The pueblos that have not adopted the pail system have constructed public latrines at adequate places and at a sufficient distance from the town, and every precaution is taken to keep them clean.

Twelve pueblos have presidents of municipal boards of health, six of them have one sanitary employee, while Tayabas has two. The former receive a salary of between ₱30 and ₱50 pesos a month, the average being ₱40.96, and the latter receive a salary of from ₱8 to ₱20, the average being ₱15.28 a month.

Mortality.—Mortality in the province has decreased notably as compared to the year 1903, when according to the census it was 37 per thousand in the province of Tayabas and 55 in the province or island of Marinduque, as since then it has been reduced to 31, including the island of Marinduque, these being the figures for 1905. The following table shows the health conditions of the province of Tayabas and is compiled from data for the year 1905, from January to December.^a

^a This table is on file in the War Department.

From the table it can be seen that Mauban is the town which has had the largest number of births, a proportion of 59 per thousand of population, which is greater than that of any other known country, and Guinayangan the smallest, 28.4. The proportion of births for the province is greater than that of any European country or of the United States.

In the proportion of deaths the municipality of Tayabas is still the head of the list, with 45 per thousand inhabitants; on the other hand, Polillo, with 15.7, has less mortality than Norway and Sweden; Infanta, with 16.4, the same as Sweden, which has the reputation of having the lowest mortality of any country in the world, and Catanauan, with 17.4, is about the same proportion as in the United States.

Gamaca and Infanta, among the pueblos of the province, have gained most in the proportion of births over deaths, 36.6 and 37.2 per thousand, respectively.

Tayabas and Tiaong, in the proportion of deaths over births, have lost 2.4 and 4.9, respectively.

The principal diseases that have caused the greatest mortality are given below:

Disease.	Deaths.	Per cent.
Paludic fever and paludic cachexia.....	1,264	20.1
Pulmonary tuberculosis.....	645	10.2
Infantile convulsions.....	473	7.5
Dysentery.....	326	5.1

As regards animals, during the year 79 have died of glanders, 70 of surra, and 58 of rinderpest.

RECOMMENDATIONS WITH RELATION TO AGRICULTURE.

Agricultural machinery.—It appears that the carabaos from China, acquired by the Insular government to supply the deficiency of work animals, have not given the desired results.

It is therefore recommended that with the proceeds of the sale of the said carabaos, or with other money appropriated for the purpose, the Insular government purchase agricultural machines and rent same to the agriculturists applying for them.

An 18-horsepower machine, weighing a ton and a half, and operated by a petroleum motor, costs, according to the importers, ₱4,250. This machine is capable of plowing 3½ hectares in eight hours.

Now, then, in this province a hectare of rice land, dry or irrigated, requires five days' labor to be placed in condition for sowing; and five days' labor of a carabao, at the rate of ₱1 a day, and one man, at the rate of 60 centavos a day, makes a total cost of ₱8.

Taking this cost as a basis, each machine could earn ₱24 for each day of eight hours.

Should the government follow this recommendation, the lack of work animals would be supplied and, aside from the revenues which the rental of these machines would bring to the government, agriculture would be encouraged and the good results of the work of these machines would make agriculturists use other modern agricultural implements.

As regards the province of Tayabas, there are thousands and thousands of hectares which could be plowed by machinery, and the owners of such lands would give anything to have the same cultivated, as they are now lying fallow for want of work animals.

Model grange.—My predecessor in his annual report for last year recommended the establishment of a grange at Sariaya, said municipality having offered to give a piece of land 30 hectares in area for that purpose. All of the information on the matter requested by the Secretary of the Interior has already been furnished, but up to the present time nothing is known of what action the government will take.

On account of the beneficial results that the said grange would bring to the province the recommendation is repeated.

Irrigation.—Santa Cruz, Marinduque, is one of the pueblos which has suffered most from shortage in crops, due not so much to the scarcity of work animals

as to the lack of rain frequently felt there. Since American sovereignty it has never been able to harvest a fair crop, and that is the reason why this municipality, since 1904, has been asking the Philippine Commission for the loan of a sum deemed necessary for the establishment of an irrigation system that the government engineers have pronounced quite feasible. The provincial board of Tayabas, considering that the said work would benefit not only the municipality of Santa Cruz, but all of the municipalities of the island of Marinduque, and that it might, moreover, serve as a model to other pueblos in the same circumstances as Santa Cruz, earnestly recommended that the loan be granted. To date, however, there appears to be no hope of securing it, though the undersigned believes that it would be a great thing if the insular government could satisfy the desires of the municipality of Santa Cruz.

RECOMMENDATIONS REGARDING ROADS.

Great benefit would result to the provinces of La Laguna and Tayabas from the construction of a road uniting them at Luisiana in La Laguna and Lucban in Tayabas, and it is recommended that the insular government take charge of this matter.

The road from Gumacá to López, which, as stated in the section of this report dealing with roads, was in very good condition during the time of Spanish government, has never been repaired since American occupation on account of the province of Tayabas not having the funds.

The insular government has appropriated ₱60,000 for the road from Pagbilao to Atimonan.

We believe it an illusion to contend that the said road can be made passable for vehicles, as its location prevents this, unless fabulous sums of money are expended thereon. The needs which the road will have to supply will be met if it is placed in condition for horses, and in order to do this it will not be necessary to spend ₱60,000.

It is therefore recommended that the part of the Pagbilao-Atimonan road which is yet to be built or repaired be placed in condition to allow horseback travel only. The surplus resulting by the adoption of this plan can then be employed in the repair of the road between Gumacá and López.

RECOMMENDATIONS WITH RELATION TO EDUCATION.

We need more American teachers. Many municipalities at a great distance from one another are in charge of an American supervising teacher, and it is quite evident that, however willing they may be, their work can not be of any positive benefit. As has been seen in the comparative table of the American teachers in the province during the last fiscal year and the one immediately preceding it, we have nine American teachers less this year. It is recommended that at least the nine that have been taken away be sent to us, as the inhabitants of Tayabas well deserve special consideration in view of the pecuniary sacrifices they have made on behalf of education.

A school of arts and trades is also badly needed, and we ask that one be established at Lucena.

Provincial government.—The provincial board of Tayabas has petitioned the Philippine Commission for a loan of ₱60,000 for the construction of a provincial office building.

Aside from the great expense incurred by the province for rent of many houses for its different offices, we are constantly running the risk of having such houses burn down, as they are nearly all surrounded by nipa shacks, so that it is absolutely necessary that the loan be granted to us under the conditions set forth in the resolution of the provincial board dealing with the matter.

Respectfully submitted.

MANUEL L. QUEZON,
Governor of the Province of Tayabas.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF LA UNION.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF LA UNION,
San Fernando, July 1, 1906.

SIR: The undersigned governor, whose first biennium should have ended on March 7, 1906, but who continued in office until June 30, 1906, the end of the fiscal year, owing to the fact that his successor has not yet been inducted to office, has regularly performed his duties of an official character as well as those which his judgment has dictated as being beneficial to the province.

He has made such recommendations to the municipalities from the provincial capital as he has thought would redound to the benefit of the former as well as those which are necessary for good administration, peace, and tranquillity in the pueblos. He has also made frequent trips to the municipalities for the purpose of making personal investigations of the conditions there prevailing and to suggest the measures which should be taken to achieve the welfare of each municipality.

During the said visits he has not limited his action to making recommendations to the inhabitants as regards moral questions, but, desiring the development of agriculture and public instruction, has insisted on visiting the barrios for the purpose of inspecting plantations and schools at a distance from the centers of population.

At the sessions of the provincial board he has made his recommendations and lent his support to everything which he has conceived conducive to a good administration of justice and to the development of the general interests of the province.

The provincial board has also regularly performed the duties incumbent upon it.

During the fiscal year it has held 64 sessions and passed 397 resolutions.

In the administration of the affairs of the province it has endeavored to promote its best interests, and in municipal affairs has always annulled such ordinances as redound to the prejudice of the pueblos.

It has also repealed municipal resolutions that were harmful to the rights of individuals or of the public in general.

Among the matters worthy of mention are the suspensions of the vice-president and five councilors of the municipality of Agoo, and for two of the councilors of Balaoan, the first for neglect of duty redounding to the prejudice of the interests of the municipality, and the second for gambling.

PUBLIC WORKS.

To the extent permitted by available funds an effort has been made to attend to the upkeep of the government buildings, roads, bridges, and culverts. Deserving of special mention is the bridge constructed over the Carlatan River, costing ₱7,800, and which had been needed for a long time past. The construction of several municipal and school buildings has been planned.

In September, 1905, work was begun on a large building to be used for a provincial school, which is being erected on land acquired by the province.

AGRICULTURE.

Being the basis of the material and moral wealth and welfare of all people, I have assiduously continued the practice of visiting the pueblos, barrios, and plantations in order to ascertain if the agriculturists of this province have been carrying out my counsels and recommendations repeatedly communicated to them by circular letters and word of mouth.

The plantations of coffee, cacao, and cocoanuts set out last year in accordance with my instructions are being looked after with care, where not transplanted, the cabezas de barrio and agricultural committees organized in each pueblo by the most intelligent and practical farmers upon my recommendations having taken over the general supervision of same; it being a great satisfaction to me to see that many farmers realize that their future welfare must depend upon the products of mother earth that, in this country, is so fertile as to make returns with interest to those who devote their labor to her.

The cultivation of maguey is becoming more extended every day. The amount produced by the pueblos of San Juan, Bacnotan, Balaoan, and Namacpacan is now sufficient to count them as producers of this fiber. Nearly all of the stripping is done by hand, but one planter having started to use a stripping machine, which, considering his industry, has not yet given him the returns to which he is entitled. In a few days seeds from Hawaii, sent by the Bureau of Agriculture, will arrive here, and I shall see to it that experiments are made with them in this province.

Owing to the prolonged drought lasting from October, 1905, to April, 1906, and to the storms in May, leaf tobacco—the principal agricultural product of the province—has been reduced to one-third of its average annual yield, but some 30,000 to 35,000 quintals (of 100 pounds each) having been harvested.

Better prices having been offered this year by the principal buyer, the Compañía Tabacalera, other buyers were obliged to follow suit in order to get some of the product. In quality and classification the crop was greatly improved.

Rice.—The principal article of diet of the inhabitants of this province suffered a decrease in its production through the ravages of worms, which destroyed the young plantations, and the lack of rain, yet the importation of rice was small and mostly came from the provinces of Zambales and Pangasinan. The present crop, though at first attacked by worms, has been nearly all transplanted and promises well for the future, so that it is hoped a larger crop will be harvested than last year.

Sugar.—There has been no increase either in production or area under cultivation, in comparison to last year, owing to the discouraging influence of low prices still ruling.

Cocoanuts.—There has been a large increase in the number of plants, the pueblos of Bauang, Aringay, and Bacnotan being now counted among those producing copra.

COMMERCE.

The tobacco trade, owing to the influences detailed in the section dealing with agriculture, has decreased in quantity, though prices have risen.

It is estimated that this year the Tabacalera Company has purchased 24,000 quintals, other dealers and local consumption taking half as much in addition. The price has been ₱10, on the average.

In former years some planters raised a quality of tobacco called batec, which, on account of its excellence, flavor, and aroma, was much sought after in the two Ilocos provinces and in Pangasinan, and which brought from ₱40 to ₱50 a bale (40 hands of 100 leaves each), according to quality, but lately the sale of this leaf has been more difficult on account of the competition offered by the tobacco from Pangasinan, which, though not superior in quality, is cheaper.

Maguey.—This year's crop, which was equal to that of last, has been sold at from ₱9 to ₱10 the picul.

Copra.—Although this province has not a very large area cultivated to the cocoanut, the natives are daily extending it and are now making a small quantity of copra. The production has been some 500 piculs (of 137½ pounds each) and the average sale price ₱9.50.

Sugar.—This product has not been equal to that of former years, in price, amount, or quality. From 3,500 to 4,000 piculs of sugar of all grades was produced and sold at prices varying from ₱3.20 to ₱3.55, according to quality.

I shall give preferable attention to the next tobacco crop, seeing to it that the pueblos which have left off planting this article shall take it up again, as I do not doubt that, by improving classification, drying, and curing better prices will be obtained.

Good table linen, both in texture and appearance, is made at Bangar and sold in the markets of this province, though not exported on account of the small quantity produced.

Trade in merchandise and foreign articles, the majority of which is in the hands of Chinamen, is in a depressed condition owing to the precarious situation of the province.

Rice.—Is quoted in the locality at from ₱4.50 to ₱6, according to quality.

INDUSTRY.

The only industry in the province is that of the pueblo of Bangar, which is engaged in the weaving of cotton textiles on antiquated looms with cane cards.

Having ordered the planting of many pineapple plants, I will soon see to it

that experiments are made in the manufacture of textiles with this fine and costly fiber.

Other industries, such as small cigar factories, shoemaker shops, etc., are of so little importance as not to be worthy of mention.

PUBLIC INSTRUCTION.

Education in this province can be said to be in a prosperous state.

During the fiscal year the attendance at the provincial school has been 213 pupils of both sexes. At the intermediate schools in the pueblos of Namacpacam and Agoo the attendance was 44 and 41, respectively, and the central and barrio primary schools in all of the municipalities have had a total attendance of 7,046.

The total number of pupils attending the public schools this year was much less than last owing to the wise decision to reduce the number of pupils in order that the teachers might give them better attention, as the considerable number attending last year was made up of a majority of children between 6 and 8 years of age, who were too young to derive much benefit from their studies.

As showing the prosperous condition of education we give the following fact: In the term for 1905, 132 pupils passed their examinations; last year 305 passed.

The financial condition of the department of education has undergone a notable improvement in the province. In the fiscal year 1905 the pueblos of Arin-gay, Bauang, Namacpacan, San Juan, and Tubao had deficits amounting to ₱3,604.31, while this year the municipalities have a total surplus of ₱24,642.75. This flourishing condition is due to the regularity with which the taxes have been collected and to the advance made by the insular treasury in lieu of the land tax.

The provincial government has invested the sum of ₱4,180 in a piece of land where the provincial school is being built. Besides this, it has assisted education by providing the land necessary for agricultural experiments, paying the rent of the rooms used for the high school, and by furnishing transportation of school furniture and supplies.

On the other hand, the municipalities have left nothing undone to promote the interests of so laudable a work, and have made contributions in money and materials toward education.

The majority of the school buildings are in good condition, those which were destroyed by the cyclone of last May being now in the process of reconstruction.

The province has 54 schoolhouses—44 primary, 3 intermediate, 1 provincial, and 1 technical. There are 22 American, 10 insular, and 100 municipal teachers, a total of 132.

Work has been entirely suspended on the construction of the provincial school building, begun last September, on account of the rains, but it is the desire to have the same finished this year. Work on the school buildings under construction in the pueblos of Bacnotan and Santo Tomas is advancing rapidly. Both of these buildings are being erected of strong materials.

NONCHRISTIAN TRIBES.

There were formerly in this province 31 settlements of non-Christians, containing some 10,000 inhabitants, 2,500 new Christians, 1,000 Christians, and the balance Igorot. By virtue of act No. 1403 of the Philippine Commission these settlements were annexed to the provinces of Lepanto-Bontoc and Benguet.

It is worthy of remark that many of these settlements are much nearer to the municipalities of this province and have better means of transportation to them than to those of the provinces to which they have been annexed.

POLITICAL CONDITIONS.

The province may well be satisfied by the peace, tranquillity, and good order which have prevailed during the fiscal year.

The people have devoted their energies to their usual occupations, have paid the taxes imposed by the law for the support of the government, have worked for the common welfare, and are disposed to lend their cooperation to promote the public interests. Though there have been a few cases of assaults in the pueblos, they have been of so small an importance as to indicate that their authors were common thieves rather than bandits.

The municipal and provincial elections held during the fiscal year have, as in former years, given rise to parties whose only purpose was to support their candidates. Before and after elections differences have arisen which have been the motive of protests presented to the provincial board. Most of the latter have been based on these differences rather than on legal grounds, for which reason the provincial board has, in most instances, dismissed charges against candidates elected or protests against elections, except in a very few instances, where it was found that the protests were well grounded.

CACIQUISM.

This social cancer, which has always existed in this province, is becoming less pernicious in its effects owing to the gradual education of the masses and the constant efforts of the enlightened inhabitants and of the authorities, who are doing everything possible to bring about its extirpation, knowing that it is a great obstacle in the path of progress. In the minds of all, the hope has always existed of entirely suppressing it in the not far distant future.

PUBLIC HEALTH AND SANITATION.

Owing to the measures taken by the provincial board of health, seconded by the municipal boards of health in the pueblos where the latter exist, and where not by the municipal presidents, the number of deaths and cases of sickness during the past fiscal year was about the same as last year as regards ordinary diseases, but as regards smallpox it has made less ravages this year, doubtless owing to the vaccination which is constantly being carried on in the pueblos.

All of the municipalities have enacted ordinances relative to hygiene and sanitation and their provisions have been regularly enforced.

The rinderpest has appeared in a few isolated cases in some of the pueblos, but now has a tendency to disappear.

FINANCIAL.

The provincial treasury has displayed both zeal and activity in carrying out the duties assigned to it. On the last day of the fiscal year ending June 30, 1906, there was a balance to the good on account of general funds of ₱69,414.21, and Pfs. 7,603.50.

The obligations of the province to the insular government amount to ₱37,000, but owing to the economies introduced by the abolition of the office of provincial supervisor, interpreter, and provincial fiscal, the latter being consolidated by virtue of the provisions of act No. 1375, it is confidently expected that this indebtedness will be reduced during the year.

The collection of taxes by the municipal treasurers was performed without difficulty.

The generality of the municipalities of the province have no debts, as all of them have discharged their obligations and have a considerable surplus on hand to attend to future needs.

Respectfully submitted.

J. LUNA,
Governor of the Province of La Unión.

The GOVERNOR-GENERAL.

REPORT OF THE GOVERNOR OF THE PROVINCE OF ZAMBALES.

[Translation.]

OFFICE OF THE GOVERNOR, PROVINCE OF ZAMBALES,
Iba, July 24, 1906.

SIR: I have the honor to submit for your consideration the following report, in accordance with the provisions of act 1044.

AGRICULTURE.

Quite considerable, if not completely ruinous to this source of wealth, the principal and most indispensable one, in Zambales at least, were the effects of the mortality among cattle of all sorts, caused by the rinderpest and other mortiferous and endemic diseases, whose terrible invasion of this province in 1901 swept away about 90 per cent of its cattle. As regards this disastrous calamity,

the General Government has been informed both by the bureau of health and by the provincial governor of Zambales in his former reports. Hence a natural cause is found for the want or great scarcity of the most valuable element of production, development, and prosperity in this province, agricultural wealth, and hence, also, the marked decline in its products during the five preceding years. But the fiscal year 1905-6, in spite of that fatal and persistent calamity, was much better than the former ones in this respect. The agriculturists were able to increase the number of their work animals, made greater efforts to economize time and labor, and the rains were as timely as they were abundant, greatly favoring the growth of the rice crop; the result of all these contributory causes has been a more abundant crop than during any of the four preceding years. It happened, moreover, that during the last months of 1905 and the first of 1906 there was a greater demand for that cereal than during the like period in the fiscal year 1904-5, which naturally improved prices. The pueblos of San Narciso and Santa Cruz shipped 10,000 cavans of rice at an average price of ₱4 a cavan, and 12,000 cavans of palay at an average price of ₱1.50 per cavan to Manila, Batangas, Union, and Ilocos Sur, and still have a stock of some thousands of cavans of both rice and palay which they were unable to ship on account of the premature storm of the present year which left them without means of transportation. The other pueblos, though on a scale smaller than in the case of the two mentioned, also availed themselves of such favorable opportunities. The entire province, as during former years, has continued to devote its energies to the cultivation of cocoanuts and maguey, with the exception of the pueblo of Olongapo, which has scarcely any agriculturists, the majority of the citizens of that town gaining their living from industry and commerce. The planting of sugar cane and corn has also been done on a larger scale, and the first named is in such a promising condition that the planters look forward to an excellent harvest during the calendar year; in addition to this, hincamas, camote, gabe, and sesame have also been produced in sufficient quantities for domestic consumption. Some attention has also been given to horticulture, particularly in the pueblos of Botolan, San Narciso, and San Marcelino. Having visited all of these municipalities during the last days of April and the first fortnight of May, I then took occasion to observe and learn personally the agricultural conditions of this province, and found them to be as above set forth.

COMMERCE.

The number of Zambaleños engaged in commerce, on a large scale at least, was very limited during the past fiscal year, as usual, and, in fact, more so than during the last years of the former government. This phenomenon is explained by the lack of capital, the considerable reduction in agricultural products, the almost ruinous condition of the cattle industry, formerly so prosperous, the preference had by the natives of this province, amounting to vicious exclusion, for agricultural pursuits, and, above all, their unenterprising and timid character. Notwithstanding this, however, commercial operations were more numerous and more profitable than during the fiscal year 1904-5, owing to better crops of rice and a better demand for that article. Lumber and rattan brought from the forests to the pueblos, silk and cotton textiles, known as Ilocan goods, firewood and charcoal were likewise the objects of mercantile transactions, though only on a small scale; rattan chairs, hats, mats, and pocket cases manufactured in some of the pueblos of the province on a still smaller scale, entered into the commerce of Zambales.

ECONOMIC.

A small population naturally implies for this province reduced revenues, which are all the more apparent considering its extreme length compared to its breadth that makes the construction, repair, and upkeep of its roads very difficult and costly. The provincial government has been unable for this reason to make a saving, but has been obliged to forego a surplus in its treasury after liquidating its bills contracted during the fiscal year. However, such were the efforts of the provincial board in that direction that the salaries of the provincial officers and employees for 1905-6 were cut to the lowest possible figures, the reductions made having been as follows: January 1, 1903, ₱23,394; January 1, 1904, ₱23,274; January 1, 1905, ₱17,196, and January 1, 1906, ₱14,216.

The following table shows the revenues and expenditures during the fiscal year.^a

^a This table is on file in the War Department.

FINANCIAL.

With the exception of its revenues, as indicated in the foregoing table, its office furniture, and a public jail built of strong materials and having ample accommodations for 250 prisoners, this province has no other revenue or property, as a political entity, be it understood. As regards the said jail a great saving could be made by building a second story, which would furnish all the room needed for provincial offices, including that of education, the post-office, telegraph station, and even the constabulary headquarters, if a part of the lower floor were also used. By this measure the money now paid for rents could be saved. Unfortunately, owing to lack of funds, the province can not at present undertake the work.

PUBLIC INSTRUCTION.

Along this line the province has continued its former remarkable progress. During the first months of the year the abolition of the land tax worried a good many people among them, and more particularly the division superintendent of schools. The usual enthusiasm and constant animation characterizing the schools was absent, due, according to the said official, to certain changes in the personnel of the school department and to a lack of teachers. This, however, lasted but a short time. The enrollment throughout the year kept up to 3,852, and of attendance to 2,183, and this notwithstanding the fact that the enrollment for January, 1906, was 2,894 and the attendance 2,183, owing to the further fact that it was not known if the funds necessary to pay the salaries of the municipal teachers could be obtained. In the central schools, which were the first to open, there were but few teachers, so that it became necessary for the inspectors to teach in them. As the barrio schools remained closed, the residents felt the need of supplying the deficiency of teachers. To this end in a short time the people of the barrios raised money by voluntary subscriptions and opened the schools. It was by this means that they were kept open through the months of January and February. In the month of March it was learned that the province could count upon receiving a sum of money equal to what would have been collected from the land tax during the past year, and from that time the attendance at the schools began to increase.

The number of teachers of both sexes, with average yearly salary, is shown by the following table:

Municipal teachers:

Males	44
Females	12
Total	<u>56</u>
Monthly salary (average)—	
Males	₱11. 65
Females	10. 55
Average	<u>11. 10</u>

Insular teachers:

Males	7
Females	0
Total	<u>7</u>
Monthly salary (average) : Males	<u>₱54. 20</u>

American teachers:

Males	9
Females	4
Total	<u>13</u>

In addition, 10 teachers served without compensation, being mere aspirants. These teachers study in the most advanced class in their pueblos, receive instruction in the teachers' class, and are admitted to the normal school in compensation of their services as assistant teachers. Counting these, the total

number of teachers in the province reaches 86; a large number, considering the province and the fact that the pueblos are not flush with money. The department of education in this province desires an attendance of 3,153, taking it for granted that a municipal teacher can look after 60 pupils; on this basis there should be 53 municipal teachers, with a total salary list of ₱7,059.60. These teachers have progressed in their studies, as well as in their methods and manner of teaching, thanks to the instruction received in the normal school and in the classes conducted by the inspectors. It is well known that they have improved greatly in American educational methods, and that consequently teaching in the public schools has likewise improved.

It has already been said that the schools conducted by American supervising teachers have fully responded to the purposes of the Government of the United States in these islands, of the general government of the Philippines, and to the wishes of the Filipino people in the matter. It is due to this that the teachers of Zambales, at the convention held in Manila during the last vacation period, figured among the best; three of them secured the prize in history of the Philippines, and of the five teachers who excelled in agriculture and were qualified to teach that science in the intermediate schools, two were from Zambales, while the other teachers from this province distinguished themselves in various ways. It is due also to one of the two teachers from Zambales, qualified to teach agriculture, or rather to the remarkable progress of education in this province, that its inhabitants are now familiar with the homestead law and the great benefits it offers poor people.

But, perhaps, the way in which this school division has most deserved praise during the fiscal year was in its construction of schoolhouses. In addition to the one at San Narciso, quite a splendid building for a poor province like Zambales, and that of Masinloc, which is strong and well constructed, though of light materials, others have been built in the district of Candelaria, municipality of Masinloc, in the barrios of Taltal and Uacon, of the same pueblo, in the district of Cabangan, municipality of Botolan; in Bancal and Biangue, barrios of the same pueblo, and in Lucapon, barrio of the municipality of Santa Cruz, aside from the extensive repairs made to the schoolhouse at Santa Cruz and to those at San Antonio and Castillejos, districts of the municipality of San Marcelino. This last-named municipality has begun and is carrying forward the construction of its magnificent two-story eight-room schoolhouse, which will be built of the best materials.

The educational department and the provincial government hope that the balance of the pueblos without schoolhouses of their own will soon follow the praiseworthy example of San Narciso and San Marcelino, as they have the proper spirit and interest in education, witness the fact that they have voluntarily contributed to the construction of the high school of Zambales, for which the insular government gave a large donation. The popular subscription collected in all of the pueblos of the province exceeded the most sanguine hopes of the provincial board, being greater than was expected by the central committee organized for that purpose, as is shown by the following table:

Pueblo.	Amount estimated.	Amount collected.
Olongapo	₱100.00	₱279.92
Subic	150.00	252.09½
San Marcelino	600.00	613.43
San Narciso	600.00	639.43
Botolan	400.00	441.25
Iba	1,800.00	1,232.54½
Masinloc	200.00	288.81
Santa Cruz	300.00	160.19
Central committee		830.00
Total		4,287.19

INDUSTRY.

In nearly all the pueblos the building of sailboats of light draft is practiced. These boats are known by the native names of paraos, barotos, etc. The larger kind are used for navigation between Zambales and other provinces, while the

smaller kind are engaged in coastwise trade between ports in the province. The manufacture of nipa roofing, woven from the leaves of that palm, is conducted on a scale sufficiently large to supply the local demand.

Cane and burl hats are made in small quantities in the pueblos of Cabangan and Botolan. They are sold in the said towns and in others of this province. Sugar sacks made of the fiber of the burl palm, called bayones in the Philippines, are also made in the pueblos mentioned and in a few others of the province, though most of them are sold only in Zambales.

In all of the pueblos some inhabitants are to be found engaged in the making of pottery, the largest producer being San Narciso, but all of the output goes to supply the local demand. Tanning, saddle and harness making, and shoe-making are industries not foreign to the people of Zambales, some artisans in the pueblo of Iba being so expert in the two last-mentioned arts that their work can compete favorably with that of any like product made in Manila. It is a great pity that they are unable to establish manufactories here in order to develop said industries, which would improve the economic condition of the province not a little, as it annually sends away thousands of pesos for shoes. But these unfortunate industrials are unable to cope with this undertaking, having no capital of their own nor any helping hand to which they could turn for assistance.

The same thing is true as regards the tailoring business, as my predecessor could not but deplore in his last report.

In the pueblo of San Narciso quite recently a rice cleaning and hulling machine was started and the promoters of the business are very hopeful of its success.

FACTORIES.

The only factories in operation in the province during the fiscal year are two distilleries run by Chinamen in the pueblo of Botolan.

NATURAL RESOURCES.

Our forests are immense and splendid and, it can be said, produce all sorts of timber grown in the archipelago. Among the first group yacal, acle, and baticolin abound. Rattan of superior quality, used for furniture making, is also found. Resins useful in various industries are not lacking, gum mastic deserving special mention.

Mineral wealth, undeveloped as yet, it is true, is of great value in this province. Witness the conviction of many prospectors of different nationalities that they have discovered, among others, mines of coal, cinnabar, silver, and gold. Some of these inhabitants believe that they have located coal mines and have made several entries in the provincial secretary's office.

NONCHRISTIAN TRIBES.

Well known throughout the entire province are those in the barrios of Moraza, Banganaygip, Billar, and Tambalao (pueblo of Botolan), Aglao, Santa Fe, Pagimambaca, and Maquineng (pueblo of San Marcelino), Naogsol (Subic), Boton, and Santa Rita (Olongapo). Organized in groups more or less numerous, each group recognizes as its head the eldest member, whose mandates and decisions are obeyed and respected as law sanctioned by sovereign power. These tribes are formed by families of aborigines of this archipelago belonging to the common race of Aetas or Negritos, known in Zambales by the name of Abunlon, but of the least savage, or who do not fly from the presence of and intercourse with the civilized people. They live from the chase, a little of agriculture, and from the product of useful fruit trees growing wild in the forest. They are wont from time to time to come down to the pueblos to sell or exchange their products for other merchandise useful to them. Those that as a whole still retain their savage instincts (here called Abunlon, to distinguish them from the less savage, to whom the specific name of *conquistados* (conquered) is given) have their habitat far from the pueblos in the fastnesses of the distant mountains, which are inaccessible to every civilized person. They do not leave their lurking place except to engage in their thieving incursions, the frequent object of their raids being the theft of animals. The members of the tribes first mentioned, however, aside from being inoffensive, lend their cooperation to the local authorities and to every honorable and peaceful person who has been the victim of criminal aggression by joining in the running down of thieves or any other criminals.

POLITICAL CONDITIONS.

The relations among the officials of this government and other employees of the province and between them and the municipalities and inhabitants in general have been excellent. Helping each other in the performance of their respective duties, they have in no case betrayed the confidence reposed in each and all of them by the insular government. Thanks to this worthy and sensible conduct, they have given cause for no discontent, but have influenced the maintenance of public order, peace, and tranquillity throughout the province. As for the rest, the inhabitants of this province are convinced that their material, moral, and intellectual progress and their evolution along the lines of civilization will decide their ardently desired welfare and prosperity. For this reason their only absorbing thought is for the development of their rich natural resources, particularly agriculture, and for a prompt and rapid growth of education.

PUBLIC HEALTH AND SANITATION. .

As a general thing this province enjoys good health. But during the last days of last June, in the pueblo of San Narciso, owing, perhaps, to a sudden change in the weather, a few cases of dysentary were recorded, some of which were followed by death. This pueblo does not have the benefits of science, there being neither a physician nor undergraduate of medicine in the town. None of the pueblos of the province, as regards sanitation, has been able to reach the level and perfection required by modern advancement, their meager resources not permitting it. In the opinion of experts who have had occasion personally to look into the matter, however, the climate in nearly all of the towns is quite healthful and benign.

Respectfully submitted.

JUAN MANDAY,
Governor of the Province of Zambales.

The GOVERNOR-GENERAL.

EXHIBIT J.—Consular representatives at Manila, June, 1906.

[The asterisk (*) indicates consuls de carriere.]

Name.	Title.	Country.	Office.
* Kenny, W. J.....	Consul-general, dean of the consular corps.	Great Britain.....	100 Anloague.
*Gordon, E. L. S.....	Acting vice-consul...	.....do	Do.
*Sidebottom, J. N.....	Proconsul .....	.....do	Do.
*Su Yu-tchu	Consul-general.....	China	48 Calderon de la Barca.
*Le Vionnois, Charles.....	Consul	Belgium.....	11 Remedios, Malate.
*Labrousche, Francois L. M.....	.....do	France	261 Herran.
	Acting consul	Russia	Do.
*De Sleyes de Veynes, Count L. de.	Vice-consul	France	Do.
*Bargiela, Camilo.....	Vice-consul and acting consul-general.	Spain.....	278 San Sebastian.
*Ito, K.....	Acting consul	Japan	776 Iris.
*Grouven, Dr. jur Fritz.....	.....do	Germany.....	288 Nozaleda.
	.....do	Austria-Hungary.	Do.
	.....do	Italy.....	Do.
Manigot, A	Consul.....	Argentina.....	12 Plaza Santa Ana, San Sebastian.
Henry, M.....	.....do	Brazil	21 Plaza Moraga.
Malveyhy, A.....	.....do	Chile	15 Marques de Comillas.
Wood, R. H.....	.....do	Denmark.....	2 Carenero.
Barretto, R. E.....	.....do	Ecuador.....	162 Alix.
Summers, R.....	.....do	Liberia	68 Herran.
Meerkamp, P. K. A. van Embden.	.....do	Netherlands.....	227 Muelle de la Reina.
Crebas, A. C.....	Vice-consul.....	.....do	Do.
Lacayo, T. E.....	Consul.....	Nicaragua.....	340 Nueva, Malate.
Stevenson, W. G.....	.....do	Norway	323 Muelle del Rey.
	Acting consul	Sweden.....	Do.
Ossorio, M.....	Consul.....	Portugal	4 Olivares.
Sprüngli, E.....	.....do	Switzerland	763 Santa Mesa.
Preisig, John	Vice-consul.....	.....do	Do
De las Heras, C.....	Acting consul	Mexico	15 Marques de Comillas.

**REPORT ON AGRICULTURAL BANK IN
THE PHILIPPINES.**

EXHIBIT NO. 3.

AGRICULTURAL BANK IN THE PHILIPPINES.

Report of E. W. KEMMERER, Chief of the Division of the Currency.

TREASURY BUREAU OF THE PHILIPPINE ISLANDS,
DIVISION OF THE CURRENCY,
Manila, P. I., February 7, 1905.

SIR: Pursuant to instructions given the chief of the division of the currency in June, 1904, by the treasurer of the Philippine Islands, under authority of a resolution of the commission passed April 13, 1903, instructing the insular treasurer to present to the commission a plan for the establishment and maintenance of an agricultural bank in the Philippines with government funds, I have the honor to make the following report:

THE NEED OF AN AGRICULTURAL BANK IN THE PHILIPPINES.

The need of some institution in the Philippines which will make advances to farmers upon the security of their lands or crops has been a long felt one. The establishment of such an institution was frequently urged in Spanish times, and it is said that several serious efforts were made in that direction, efforts, however, which proved futile principally on account of the confused condition of land titles in the islands. The code of commerce^a contains liberal provisions for the establishment of agricultural banks on the debenture plan. The charter of the Banco Espanol-Filipino authorizes that bank to make loans on real estate, under certain restrictions, to half the value of the property mortgaged. The report of the Schurman Commission declared that "the lack of proper capital and the high price asked for loans constitute another obstacle, which stupefies industry, augments the cost of production, and restrains, in consequence, its benefits." The civil commission, in its second annual report, discussed the subject at length, and recommended Congressional action to encourage the creation of mortgage banks by private enterprise. The desirability of some government action with this object in view has been frequently urged by provincial governors, provincial treasurers, and others having an intelligent interest in Philippine affairs. Inquiries made some time ago of the various provincial treasurers with reference to the need of an agricultural bank in their respective provinces^b elicited in nearly every case the reply that the need was a most urgent one. Out of 28 replies received to the inquiries made, 24 were favorable to such a project. Although these letters were written nearly two years ago, there is little reason to believe that the conditions therein described have very materially changed in the interim.

^a See Exhibit D.

^b Exhibit B, Schedules II and III.

The deplorable condition of agriculture in the Philippines is too well known to require comment.^a The ravages of rinderpest and of locusts, the failure of crops through droughts, the havoc wrought by the insurrection, the wretched facilities for the transportation of crops, as well as the normally backward condition of Philippine agriculture at its best are commonplace among people familiar with Philippine conditions. In this connection it is sufficient to repeat the statement so frequently made that there are few countries so fertile and as richly endowed with agricultural possibilities as the Philippines, and withal few so primitive in methods of cultivation and so unproductive of results. The Philippines are preeminently an agricultural country, and their economic future will depend very largely upon the development of their agricultural resources.

Thanks to the enlightening influence of American occupation, and more especially to the work of the American teacher and the insular bureau of agriculture, the Filipinos are beginning to wake up to the deplorable condition of Philippine agriculture and to its wonderful possibilities if properly utilized.

A knowledge on the part of the people of these bad agricultural conditions and of possible means of remedying them is one thing, the ability to adopt improved methods is quite another one. Waste land can not be reclaimed, improved farm machinery can not be bought, fields can not be drained or irrigated, and draft animals can not be bought without capital, and the Filipino people are at present land poor.

Without credit facilities the world's present day great commercial and industrial enterprises would be utterly impossible. The stock-broker buys upon a margin, deposits the stock purchased as security for payment, and later settles his account from the proceeds of its sale. The manufacturer purchases his raw material and hires his labor by means of funds borrowed from a bank on the security of the goods purchased and of the product being manufactured therefrom. The debt is paid from the proceeds of the sale of the finished product. The exporter purchases his produce and hires his labor by means of funds borrowed from a bank on the security of a pledge to transfer to the bank, at certain rates fixed in advance, the exchange bills he will draw upon the consignee of the goods when exported. The consignee in turn accepts the bills when presented, obtains the goods, and in three, four, or six months' time, as the case may be, pays his home bank from the proceeds of the sale of the goods imported. From first to last the great bulk of the world's commercial transactions are effected through the mechanism of credit.

Carefully worked out and highly specialized as is this credit system as regards industrial and commercial enterprises, it is still, relatively speaking, in a crude and undeveloped stage as far as agriculture is concerned. While there appears to be no reason in the nature of things why it should not ultimately be as easy for a farmer to obtain capital by the pledge of his land or crops, as it is for the manufacturer to obtain it on the security of his plant, his raw materials, or his finished product, and no reason why a farmer's crops should not be insured against losses by drought, insects, or other destructive agents as readily as is the manufacturer's plant from fire, this

^a Exhibit B, Schedule III.

condition of affairs has not yet been realized. Land titles are frequently uncertain; obstacles in the way of the facile alienation of landed property are numerous; rapid advances in the way of improved and extended transportation facilities and the resultant opening up of new territory render agricultural lands extremely uncertain in value; man has not yet attained sufficient knowledge and control of natural forces to be able to assure himself to any high degree of regularity and uniformity of crops; the supply of our staple crops is extremely variable, and so also is the price. For these and other reasons agricultural lands and growing crops are not generally looked upon as the safest and most desirable classes of securities for a banking institution, and, as a consequence, it has been found desirable for the state in many cases to assist in one way or another the development and extension of agricultural credit. At the present time nearly all civilized countries, as the laws appended in Exhibits C to M of this report will bear witness, grant special privileges and concessions to institutions loaning money for agricultural purposes. Among the numerous methods employed by different states for the assistance of agricultural credit may be mentioned the establishment of government agricultural banks, and the granting of special concessions to private agricultural banks or associations, such as subventions, guaranties of dividends on stock or of interest on bonds, the use of government officials and clerks for administrative purposes, exemptions from taxation, the franking privilege, and a great variety of extraordinary legal privileges to assure the prompt and economical enforcement of the bank's claims.

If state assistance is necessary in the more advanced countries of the world, how much more imperative is it in a backward country like the Philippines, where the impediments to the successful development of agricultural credit are infinitely greater.

In Exhibit B, Schedule I, of this report a summary statement is given of the interest rates prevailing in the different provinces of the islands on loans secured by agricultural property. The rates stated are appalling and sufficient to strangle the most productive agriculture anywhere. Rates of from 2 to 5 per cent a month appear to be common, while rates as high as 10 per cent a month, and even higher, are not infrequent. The treasurer of Cagayan reports that interest in that province varies from 25 to 50 per cent. In Ilocos Sur the rate is said to vary from 10 to 100 per cent; in Ilocos Norte, from 20 to 100 per cent. It is a common practice for the person loaning the money to obtain the privilege of purchasing the borrower's crops at ridiculously low prices fixed in advance, so that the nominal rate of interest often falls far below the rate actually exacted.

The demand for agricultural credit is not being met by the banks of the islands, nor does it offer any prospects of being so met for some time to come. Of the four large banking establishments in the Philippines, two—the Hongkong and Shanghai Banking Corporation and the Chartered Bank of India, Australia, and China—are prevented by their articles of association from making advances on real estate, although both institutions have occasionally, on special permission from their head offices, made small advances on real estate security as special favors to patrons of the bank. According to the latest reports received by this office the total outstanding loans secured by agricultural property of the Banco Español-Filipino and the International Banking Corporation, in the Philippines, will probably not exceed ₱750,000.

The figures can not be stated exactly because of the difficulty of drawing a sharp line between advances made on urban and agricultural property.

The larger European commercial houses frequently make advances upon crops, but these advances are for the most part limited to the owners of a few large estates, and even then the charges by way of interest, commissions, and the reduced prices at which the crops are purchased are said to often be excessive. Reports from Iloilo received this year state that loans of this type in that section of the islands are becoming less frequent.

POSTULATES OF SUCCESSFUL AGRICULTURAL CREDIT.

Mr. F. A. Nicholson, in his able and voluminous report to the governor of Madras "Regarding the possibility of introducing land and agricultural banks into the Madras presidency," sums up the postulates of successful agricultural credit in the three words, (1) proximity, (2) security, (3) facility and safety. "For the due provision of such credit," he says, "there are demanded as postulates proximity of lender and borrower, security to the lender that his loans are solidly and safely based on unincumbered property actually owned by the borrower; that they will be repaid with punctuality and strictness; that dues and arrears shall be readily recoverable; facility and safety to the borrower, so that on the one hand he may be able to borrow freely, promptly, and cheaply and to repay conveniently, and that on the other he may not only be free from the risk of unforeseen entanglements, accidental or deliberately promoted, but may be influenced and even guided toward the safe and productive use of the credit granted."

VARIOUS TYPES OF AGRICULTURAL BANKS.

As regards ownership and control four distinct types of agricultural credit institutions present themselves:

(1) An agricultural bank conducted by private capital for the profit of the promoters. Such an institution may be carried on independently, or in conjunction with other business enterprise.

(2) A purely governmental institution, financed with government funds, and administered through government agencies.

(3) Cooperative associations of the type so common throughout Europe, wherein the farmers in one or more rural communities band themselves together in a cooperative society, depositing their own funds in the society and obtaining additional funds by the sale of debentures, many of which they purchase themselves, loaning among their number the funds so obtained, and managing in every way the affairs of the institution.

(4) A private institution under careful government supervision and control, and with liberal government guarantees and concessions, as, for example, the Agricultural Bank of Egypt.

Each of the above types of institutions has its own peculiar merits and defects, and in each class the merits and defects have been made known through the test of experience. It is not the province of a report like the present one to enter into a detailed discussion of these or other possible types of agricultural banking institutions. A word with reference to the applicability of these different plans to conditions in the Philippines will be sufficient.

THE EXTENSION OF AGRICULTURAL CREDIT IN THE PHILIPPINES BY PRIVATE INITIATIVE.

With reference to the policy of inaction on the part of the government, and of leaving the problem of providing agricultural credit facilities for the islands entirely to private initiative, it should be said that has been the policy so far adopted in the Philippines, and that its results, as seen in present conditions, give it scant justification. The risks are at present too great for the enticement of private capital in any considerable quantities into such enterprises, while the expenses connected with the investigation of titles and values, and the collection of annuities, in a country so extensive as the Philippines, and possessing such poor means of communication, would be prohibitive. The adoption, moreover, of any one of the other plans mentioned need not prevent the extension of agricultural credit operations by existing banking institutions.

A GOVERNMENT AGRICULTURAL BANK.

The second type of institution mentioned, i. e., one financed and administered entirely by the government, is the opposite of the plan just referred to. A plan of this type, recently suggested to the chief of the division of the currency, contemplates the acquisition by the government of the necessary capital by the issuance of government bonds, the establishment of a central office in the treasury bureau under the supervision of the insular treasurer, with branches in each of the provincial treasuries under the management of the respective provincial treasurers, who would receive and investigate applications for loans, collect annuities when due, and in other ways look after the local interests of the bank. Advances would be made only on the security of real estate registered under the land-registration act, and in each case upon the approval of a central board located in Manila.

This scheme, which appears to be the one most generally contemplated by persons who have been interested in the establishment of an agricultural bank in the islands, and which undoubtedly possesses many merits, does not appear to the chief of the division of the currency to be practicable for the following reasons:

(1) It would encourage the already too prevalent proclivity of the native population to depend upon the government for financial aid and support. It would tend to encourage dependence and laziness, whereas the first essentials of agricultural progress are self-reliance and industry. Under such a plan the government would come to be looked upon as a sort of paternal institution, possessing an unlimited amount of wealth upon which it placed little value because it was easily obtainable and which it was under obligation to loan to the people on easy terms of payment. It would be expected to be liberal to the extent of laxity in collecting its annuities and in otherwise enforcing the terms of the loan contract. If it should foreclose mortgages to any extent for non-payment of loans it would be liable to arouse popular opposition and to be vituperated for its greed in exacting unreasonable terms of a poor and unfortunate people, and for depriving the people of their property to increase its already extensive domains.

(2) Government officials are not in position to assume the work and responsibility such a plan would entail upon them. The work of

a provincial treasurer under such a scheme would be heavy, and it would involve an amount of investigation into the private affairs of the people of his province foreign to the work of his official position and inconsistent with its efficient performance. A considerable proportion of the applications made for loans would have to be rejected, and the government would find it difficult to avoid criticism and all sort of charges of injustice and partiality in accepting some applications and rejecting others. Such a procedure would put the government in a very delicate position. The fact, moreover, that the provincial treasurer was not himself financially responsible for loans made upon his recommendation would probably result in many bad investments.

(3) The rigid enforcement of the terms of the loan contract would be difficult for the government, and would probably result in dumping upon the government a considerable amount of property as the result of foreclosures.

The dangers just described are not fanciful; they have been in other countries the rocks upon which more than one government agricultural bank has foundered.

Mr. F. A. Nicholson, in his report on "The possibility of introducing land and agricultural banks into the Madras presidency," says: "The establishment of state banks is out of the question; it is impossible and would, if possible, be inadvisable. * * * It would enormously develop bureaucratic interference in everyday affairs of life, * * * and would absolutely confirm the already overwhelming tendency of this country to look to the state, not only in all emergencies, but in the ordinary affairs of life, to consider it as answerable for or bound to relieve its misfortunes and to accept the burden of all its debts and poverty; it would develop in a high degree the habit of attempting to overreach and defraud that entity vaguely known as 'government,' which is usually credited with unlimited means and with the ability to overlook individual debts; * * * it would choke all private enterprise and, still worse, the development of habits of providence, thrift, self and mutual help, which are among the highest qualities of a nation." Again, he says: "The history of rural banking shows that no state bank has ever yet succeeded except in very petty states, where the administrative staff is out of all proportion—relatively to large states—to the work to be done and the area to be covered by it, or where the communes are linked to the central organization by peculiar arrangements, or where the banks are not credit banks at all, but mere offices of issue of loans either upon the results of the inquiries of special commissions, as in the case of the German rent charge banks, or upon the security of commercial organizations which deal with all details, as in the case of the Russian peasants land bank, founded to enable the exserfs to buy out the land settled upon by them. There are no state land banks in great states dealing with the continuous yet fluctuating credit required by a cultivating peasantry."

Lord Cromer, in his annual report for 1900, in speaking of the Agricultural Bank of Egypt, said: "The objections to purely government action in Egypt are twofold. In the first place, the government could not, without much inconvenience, have provided the necessary capital. In the second place, the officials of the government have not the time to go amongst the villagers and seek out those who are in want of loans. Even if they had the necessary time at their disposal, it is not altogether desirable that they should be employed on work of this sort. Further,

they have no personal pecuniary interest in the matter. When it has been publicly notified that an application to some government authority at a certain time and place, small loans may be obtained on certain conditions, the government officials naturally enough think that they have done all that is required of them."

COOPERATIVE AGRICULTURAL CREDIT ASSOCIATIONS.

The third possible type of agricultural bank suggested is found in the rural cooperative credit associations of Europe. These associations represent without question the most successful type of agricultural credit institution yet established. The names of Schultze-Dilitzsch and Raiffeisen in Germany, Austria, and Belgium, and of Luzzatti and Wollemborg in Italy, are household words among the peasant classes of those countries, and the agricultural credit associations founded through their labors and influence have been one of the strongest factors in the regeneration of European agriculture and in the recent progress and present contentment of millions of the European peasantry. The sum of money annually made available by these credit associations for productive purposes is estimated at £150,000,000. The amount of the business done, however, is not so significant as its character. This vast sum is made up largely of small loans made for agricultural purposes at low rates of interest and at an insignificant cost of administration. Mr. Henry W. Wolfe, who has probably made a more careful study of these institutions than any other English-speaking person, and the results of whose studies are given in his numerous writings upon the subject, the principal of which is his masterful work on "People's Banks," says, "To my mind there has never been a more prolific source of potential temporal good placed at the disposal of those who are dependent upon labor."

The different cooperative systems above referred to, though varying in detail, are all based upon the same general plan, i. e., the establishment of cooperative associations by the small farmers and other interested persons in local communities, who are at once creditors and debtors of the association, and who manage its affairs through regular general meetings, either weekly or biweekly as a rule. Funds are obtained through the issue of debentures, the receipt of small deposits, and often through an initial subscription to a capital fund, state subventions are sometimes granted. Advances are made to the members of the association, usually on promissory notes bearing the signatures of two members. Repayments are by annuities covering principal and interest. Local associations are frequently linked together in a sort of league for mutual cooperation, and with a central association which issues its own debentures in return for those of the local associations and thereby materially assists in the profitable disposal of local debentures.

Under the plan outlined each association is largely a local affair, the borrowers are for the most part using the small savings of their neighbors. They accordingly fully appreciate the value of the money, and public opinion requires them to expend it wisely. The money is loaned by the people who best understand the character and resources of the borrower, who can best sympathize with his misfortunes, and, in case of threatened loss through the negligence of the borrower or the improper use of the funds borrowed, who are most capable of

bringing effective pressure to bear to protect their own interests and those of the borrower as well. The management of these associations by the peasants of Europe has given them an education in business methods, and has developed a spirit of mutual cooperation and sympathy the value of which can scarcely be overestimated. The history of the success of these cooperative associations is one of the most fascinating chapters in modern finance.

Any attempt to introduce this type of institution in the Philippines would, it is believed, for some time to come be premature. The qualities of intelligence, foresight, honesty, self-control, as well as the business ability, mutual confidence, and power to abide by the opinion of the majority, which are absolutely essential to the success of a cooperative credit association, are as yet too deficient in that class of the Filipino people who most need agricultural credit to give for the present any promise of success to such an institution in the Philippines. Cooperative agricultural credit may belong to the to-morrow of the Philippines; it is scarcely a possibility of the present.

If the difficulties in the way of extending agricultural credit in the Philippines by means of private enterprise or by means of an exclusively governmental institution appear for the time being to be insurmountable, and if at the same time each class of institutions has peculiar merits of its own, the question at once presents itself whether it would not be possible to organize an institution which would, to a great extent, utilize the good features of both plans and eliminate the objectionable ones. This, in a word, was the idea underlying the recent organization of the Agricultural Bank of Egypt, an institution which has so far proven remarkably successful.

THE EGYPTIAN PLAN.

The principal difficulties in the way of the extension of agricultural credit facilities by means of private enterprise were found to be the risks involved and the expense of establishing and maintaining the administrative machinery necessary for the making of loans, the proper inspection of mortgaged properties, and especially for the collection of annuities on a large number of widely scattered loans. The plan adopted in Egypt, which will be found described in detail in the annual reports of Lord Cromer, extracts from which are given in Exhibit C, Schedule I, of this report, consisted in the simple expedient of the government's guaranteeing interest on capital invested in an agricultural bank by private individuals and corporations, and of its placing at the disposal of the bank for the collection of annuities and for other minor duties the services of the government tax collectors, who make collections for the bank at the same time at which they collect the regular land tax. Those collectors are paid by the bank a small commission for their services. The Egyptian Government holds a certain amount of the bank's stock, is represented on the board of directors, and possesses the right of careful supervision over the bank's operations; otherwise the bank is in all respects a private enterprise.

The Agricultural Bank of Egypt found its rude beginnings about 1895, when the Egyptian government as an experiment advanced £E10,000 in small loans to the fellaheen. In 1899 the newly created National Bank of Egypt began to make advances of small sums up to £E20, at 9 per cent interest repayable in lump sums, and of larger

sums, at the same rate of interest, repayable in five annual installments. Local tax collectors were utilized in making collections. The rate of interest was subsequently raised to 10 per cent. "In 1899 operations were undertaken in only one district; * * * 2,450 advances, amounting in all to £E31,500, were made. In 1900 the bank extended its operations to ten districts." Its sphere of operations now covers all lower Egypt. "In 1900, 9,500 advances, amounting to £E137,781, were made. Of these, 6,213, amounting to an aggregate of £E36,216, were loans repayable within the year; the remaining 3,287 advances, amounting in all to £E101,565, were repayable in five years. * * * The amount that fell due in 1900 was £E28,120, due from no less than 5,030 borrowers," with reference to which Lord Cromer says in his report of 1900: "It is with very special pleasure that I am able to record that the whole sum was recovered." By 1901 the National Bank of Egypt had advanced about £E400,000 in small loans, and not being able at the time to lock up more capital in such loans the Egyptian government came to the rescue by temporarily advancing £E250,000 to the bank. "It was evident, however," says Lord Cromer in his report of 1902, "that the class of operations involved in making these loans fell more properly within the functions of a land bank than within those of an ordinary bank. Moreover, after a prolonged trial it appeared that the somewhat novel system adopted in Egypt some few years ago had passed out of the experimental stage, and that the introduction of a scheme of a more permanent character than that heretofore adopted was justifiable. Negotiations having this object in view were set on foot with the result that on the 1st of June, 1902, an agricultural bank was started under the auspices of the National Bank of Egypt. All loans outstanding with the National Bank were transferred to the new bank, whose sole business it is to lend money to the fellaheen."

In his annual report for 1903 Lord Cromer says that on December 31, 1903, the outstanding loans of the bank amounted to £E2,186,746, and that this sum represented advances to 78,911 persons. The average amount of the loans was £E27-14s., the great bulk of the loans being in amounts of from £E20 to £E50. "Additional capital to the amount of £E2,500,000," Lord Cromer says, "is about to be raised to extend the operations of the bank."

That the Egyptian Agricultural Bank has so far proven a remarkable success, both from the standpoint of the stockholders and of the Egyptian fellaheen, there can be no question.

THE PLAN PROPOSED FOR THE PHILIPPINES.

The plan proposed for the Philippines will be found in the draft bill given as Exhibit A of this report. The bill largely explains itself and requires little comment. The plan proposed is an attempt to adjust the Egyptian scheme to Philippine conditions. Many features of the bill, however, are adapted from provisions in the laws governing the principal agricultural banks of Europe, copies of which are given in the exhibits of this report. The bill contains comparatively few original features, and, with few exceptions, the provisions of the bill in their essentials have been for many years in successful operation in one or more European countries.

Among the principal objections that may be brought to the proposed plan are:

- (1) The danger that native borrowers will misuse the funds borrowed.
- (2) The possible expense to the government.
- (3) The confused condition of Philippine land titles.
- (4) The difficulty of obtaining the necessary investment of capital.
- (5) The interference with the official duties of provincial and municipal treasurers, many of whom are already overburdened with the work of their offices.
- (6) The high rate of interest.

A few words of comment with reference to these objections may be apropos.

ALLEGED MISUSE OF MONEY BY BORROWERS.

First, with reference to the misuse of funds by native borrowers. It is frequently said that an agricultural bank in the Philippines would be impracticable because of the unreliability of the native population. The claim is made that money would be borrowed ostensibly for agricultural purposes, but in many cases as soon as received would be diverted from its pretended object and squandered on fancy clothes and jewelry, or, still worse, at the cockpit or the monte table. That this would be a real danger in the Philippines, and one to be carefully guarded against, can not be questioned. In reply, however, it should be said that when account is taken of the class of natives to whom loans would be made, the danger has probably been exaggerated. Furthermore, the bank would carefully investigate the character and responsibility of each applicant for a loan as well as the security offered; its officers would have the power to oversee the expenditure of the money borrowed, and finally, under Section XIX of the proposed bill, the use of the money for other purposes than those stipulated in the loan contract, without the permission of the bank, would be a misdemeanor, and as such render the offender liable to a fine and imprisonment, and would immediately affect the maturity of the loan and authorize the foreclosure of the mortgage, if necessary, for its collection.

The above objection was one strongly urged against the Egyptian scheme. The fellaheen are in many ways proverbial for the same shortcomings that are charged against the Filipinos. They are said to be unreliable, improvident, and extravagant. After three years' experience with agricultural loans Lord Cromer said: "So far * * * as I have been able to judge, the alleged irremediable extravagance of the fellaheen has, as I anticipated would be the case, been greatly exaggerated. Up to the present time the number of those who have used their improved credit in order to incur fresh debt has, to the best of my belief, been very small."

THE POSSIBLE EXPENSE TO THE GOVERNMENT.

In guaranteeing dividends of 4 per cent upon the capital stock of such an institution, the government undoubtedly assumes a certain risk. The fact that capitalists can not be induced to undertake such an enterprise upon their own initiative without a government guaranty is evidence that, to the minds of shrewd business men, the investment is not one perfectly certain of producing reasonable returns.

Granting this, however, it is believed that under the safeguards provided in the proposed law the risk assumed by the government would not be great. The bill provides a government guaranty of 4 per cent dividends a year for twenty-five years upon the bank's cash-paid-up capital stock, the total stock authorized being ₱10,000,000. The principal is not guaranteed, although the government waives its claim for the repayment at the time of the bank's liquidation, of funds due it by the bank on account of dividends advanced, in case the bank's assets should not at that time be found sufficient to more than meet the legitimate debts of the bank and to pay to the stockholders the par value of their cash-paid-up capital stock. Upon the worst possible assumption, i. e., that the government should be compelled to pay the maximum amount for twenty-five years, and should receive no repayment at the time of the bank's liquidation, the expense to the government would be only ₱10,000,000, or ₱400,000 a year for twenty-five years. All loans except the petty ones must be secured by first mortgages on productive land possessing perfect titles and of a value equal to at least twice the amount of the loan. In the case of loans secured by those classes of lands which are peculiarly liable to fluctuations in value, such as urban property and forest lands, the maximum advances made can not exceed one-third the value of the property mortgaged, while no loans are permitted upon such uncertain securities as mines and quarries.

The bank furthermore receives part payment for its loans each year, receives an interest rate of 10 per cent per annum, which should provide a good margin above reasonable dividends to cover expenses of operation and losses, is compelled from the beginning to set aside a large share of its profits to the credit of its surplus fund, a considerable part of which must be vested in securities not directly connected with the vicissitudes of agricultural enterprise. The requirements with reference to the accumulation of a reserve are rigid, and no claim can be made against the government for dividends until the entire reserve is exhausted. The government, for advances made on account of dividends, has a first lien upon all profits subsequently realized, over and above sufficient to pay 4 per cent dividends, until its advances are repaid in full with compound interest. Furthermore, in consideration of the risk incurred by the government, and the concessions made, Section XXVI provides that the government shall share in the bank's extraordinary profits. The government's guaranty is not effective unless the terms of the law and articles of association are complied with. Directors are liable personally for noncompliance therewith, and all responsible employees of the bank are required to be adequately bonded. Unreasonable expenditures are guarded against by the necessity of government approval of all large expenditures, while the government, by representation on the board of directors and by its complete powers to inspect the books and records of the bank and to examine its officers, should be in position to exercise an effective and salutary supervision. The bank, moreover, as well as the public, is saved from large legal expenses by the fact that the courts of first instance in the respective provinces are given final jurisdiction in all suits arising over questions concerning the making of loans amounting to ten thousand pesos or less by the bank, and their collection.

The government's position under the proposed bill is much better secured than is that of the Egyptian government under the Egyptian

agricultural banking law. Egypt has never been called upon to pay a cent on account of its dividend guaranty, and Lord Cromer said in his annual report for 1903: "It is in the highest degree improbable that any occasion will arise for calling on the government to make good a deficit."

CONFUSED CONDITION OF LAND TITLES.

One of the principal objections which has heretofore been urged against the establishment of an agricultural bank in the Philippines has been the confused condition of land titles. The proposed bill eliminates the objection by forbidding the bank to make any loans in sums above two hundred pesos except on the security of first mortgages on land registered under the land registration act. In this way the bank's interests will be protected, while a much needed stimulus will be given to the registration of titles.

Additional funds to meet the expenses incident to the registration of titles will be rendered available by the bank's loans of the third class, and by the fact that capital will be set free through the payment of private loans by the proceeds of advances obtained from the agricultural bank for that purpose.

THE DIFFICULTY OF OBTAINING THE NECESSARY INVESTMENT OF CAPITAL.

It is not probable that the Government will experience difficulty in inducing capitalists to invest money under the conditions of the proposed law. The investment offers a guaranteed dividend of 4 per cent per annum for twenty-five years, a rate which would repay the principal, even if every cent invested were lost in the interim. The probabilities of large profits are manifold, with the high interest rates authorized, and the privilege the bank enjoys of utilizing governmental administrative machinery for the collection of its loans. The remarkable success of the Agricultural Bank of Egypt should give capitalists added confidence in the scheme. With Philippine government 4 per cent bonds eagerly sought for at a substantial premium, it is not probable that a proposition like the one proposed would "go a begging."

THE INTERFERENCE WITH THE OFFICIAL DUTIES OF PROVINCIAL AND MUNICIPAL TREASURERS.

There is no reason why the services performed by government officials for the bank need materially interfere with their official duties; in fact, such services are authorized only in so far as they shall not interfere with the efficient performance of their official duties. In the richest provinces, to which the bank will probably largely confine its operations at first, it will have its own permanently located representatives, and the same will be true of the other provinces as rapidly as the bank's business in them grows to any considerable proportions. It is only in those provinces where the business of the bank is too small to justify the establishment of a permanent office that the provincial treasurer will be likely to be called upon to perform many services for the bank, aside from the overseeing of the collection of annuities by the municipal treasurers. These collections will be performed in connec-

tion with the regular tax collections of the municipal treasurers, and should not require much extra time. The bank, moreover, will doubtless employ, as does the Agricultural Bank of Egypt, one or more traveling representatives.

THE RATE OF INTEREST.

At first thought an interest rate of 10 per cent appears unreasonably high. It should be remembered, however, that the words "high" and "low" when used with reference to interest rates are relative terms. Ten per cent in countries like France, Germany, and England, or in the New England and Middle States of the Union, where the prevailing market rates on real estate security are 5 and 6 per cent, would be high; 10 per cent, however, in a country like the Philippines, where the prevailing rates on loans thus secured are from 1 to 10 per cent a month, is a low rate of interest. There is nothing in the law to prevent persons who are able to borrow money elsewhere at lower rates from doing so. As long as the risk connected with such loans on the part of the bank is considered great and the expenses of administration are large the interest rate (using the term in the absolute rather than the relative sense) must be high. Section XII of the proposed law provides a method by which the rate of interest upon all outstanding loans of the bank will be automatically reduced as soon as the bank's independent financial position is assured and the success of the undertaking established by the accumulation of a surplus. The first essential of such an institution is financial stability, and the people who profit by loans at the beginning of the bank's operations and at the time when agricultural conditions are unsettled, should be expected to meet the extra expenses thereby required.

CONCLUSION.

The questions of the constitutionality of such a law, and of the necessary authority from Congress, are matters outside of the province of this paper. It may be worthy of mention, however, in passing that not only have such banks been organized in foreign countries, but that State-aided mortgage banks were frequent in the early days of the United States, that the courts have upheld the grants of public moneys to agricultural associations, that in the proposed law the Philippine government receives a quid pro quo, in its participation in the bank's extraordinary profits, and that the banking business, as shown by the careful governmental supervision to which it is subjected, and its close relation to public and private welfare, possesses many of the features of a quasi-public enterprise. Such a concession, moreover, on the part of Congress would not affect harmfully any particular industry or section in the United States, and as a consequence would not be liable to arouse the strong local opposition and local prejudices in the home country that recent attempts at tariff reduction on Philippine products have aroused.

To the end that the plans in operation in foreign countries may be readily available to those interested in agricultural credit in the Philippines, the more essential features of existing laws in other countries are appended as exhibits of this report.

A detailed statement of the agricultural land registered in the different provinces of the islands under the Philippine land registration act, and also of the land, applications for the registration of which are pending, is in course of preparation and will later be submitted as Schedule IV, Exhibit B, of this report.

The chief of the division of the currency is not sufficiently familiar with agricultural conditions in the islands to feel justified in recommending the passage of the bill in its present form, assuming that the necessary authority from Congress would be forthcoming if requested. The inclosed bill is submitted merely as a rough draft to work from, with the hope that it may ultimately serve as a basis for some definite action for the improvement of agriculture in the Philippines.

All of which is respectfully submitted.

E. W. KEMMERER,
Chief of the Division of the Currency.

The TREASURER OF THE PHILIPPINE ISLANDS,
Manila, P. I.

NOTE.—Since the submission of the foregoing report the following has been enacted by Congress:

[PUBLIC—No. 243.]

An Act To provide for the establishment of an agricultural bank in the Philippine Islands.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That for the purpose of aiding in the establishment and operation of such an agricultural bank in the Philippine Islands as the general government thereof may hereafter specifically authorize the Philippine government is empowered to guarantee an income of not exceeding four per centum per annum upon cash capital actually invested by individuals or corporations in such agricultural bank; such guaranty shall be granted by an act of the Philippine Commission which shall contain, among others, the following provisions:

First. The guaranty shall be made to a company organized under the laws of the Philippine Islands, with its principal office in Manila and with branches in such parts of the islands as may be designated by the Philippine Commission.

Second. The bank shall not grant loans except to those engaged in agriculture and with the sole purpose of assisting agriculture in the Philippine Islands.

Third. No loan exceeding in amount five thousand dollars shall be made except upon the written authorization of the secretary of finance and justice of the Philippine Islands.

Fourth. Interest charged on loans shall not exceed ten per centum per annum: *Provided*, That in no event shall the total annual contingent liability under the guaranties authorized by this Act at any time exceed two hundred thousand dollars, and no such guaranty shall continue for a longer period than twenty-five years.

For the further security of the Philippine government said government shall provide by the aforesaid act proper rules, including those for determining the cash capital actually invested in such bank and the net income actually received on said capital so invested, and shall provide for supervision by said Philippine government, through the auditing and other appropriate bureaus thereof, of the conduct of the business of the bank.

The bank shall make such reports from time to time as to its receipts and expenditures in such form and substance and sworn to by such officials as may be prescribed by the Philippine government, and its books and accounts shall be at all times open to inspection by any authorized agent of the Philippine government.

SEC. 2. That money paid by the Philippine government pursuant to the aforementioned guaranty shall be a liability of the bank to the Philippine government, and, as such, shall constitute a lien upon and be paid out of the annual net profits of the bank, subject only to the right of the stockholders to receive therefrom four per centum dividends per annum upon the bank's cash paid-up capital stock. No dividends above four per centum shall be paid, and no profits credited to the surplus fund, either during the period of the government's

guaranty or subsequent thereto, until the Philippine government shall have been repaid in full all sums advanced to the bank under said guaranty.

Obligations of the bank to the Philippine government arising from advances made pursuant to the aforementioned guaranty and existing at the time when the bank shall go into liquidation shall constitute a lien on the bank's assets, subject only to the payment of the bank's legitimate debts and the repayment to the stockholders of the par value of the bank's duly authorized cash paid-up capital stock: *Provided*, That nothing in this section shall be interpreted as a guaranty on the part of the Philippine government to the stockholders of the bank of the par value of the bank's cash paid-up capital stock when the bank shall go into liquidation.

SEC. 3. That the bank shall not be permitted to hold real estate beyond that required for business premises: *Provided*, That the temporary acquisition of land as the result of foreclosure, or otherwise, on account of a debt, shall be permitted on condition that land so acquired shall be sold within ten years from the date of acquisition, and all said land not so alienated in good faith shall be forfeited to the Philippine government.

Approved, March 4, 1907, 10 a. m.

EXHIBIT A.

DRAFT OF A BILL FOR THE ESTABLISHMENT OF AN AGRICULTURAL BANK IN THE PHILIPPINE ISLANDS.

[Prepared by E. W. Kemmerer, February 10, 1905.]

AN ACT To encourage agriculture in the Philippine Islands by granting certain concessions and guaranties to a corporation to be known as the Philippine agricultural bank, the business of which shall be the making of loans to agriculturists in the Philippine Islands upon real estate, growing crops, or other security duly authorized by this act, for the purpose of enabling them to pay off existing debts, to make improvements upon their lands, to purchase agricultural implements, farm animals, fertilizers, and seed, and to make other similar expenditures desirable and proper for the advancement and improvement of agriculture in the Philippine Islands.

By authority of the United States, be it enacted by the Philippine Commission that:

SECTION I. The short title of this act shall be "The Philippine agricultural bank act."

SEC. II. The words "the bank," when used in this act shall refer to the Philippine agricultural bank, unless the context clearly shows that some other bank is referred to.

SEC. III. The persons hereinafter named being desirous of organizing a corporation for the purpose of loaning money to agriculturists in the Philippine Islands, and having petitioned the Philippine Commission for certain privileges and concessions to facilitate the establishment and the safe and economical management of the aforementioned enterprise, are hereby granted authority to organize a corporation under the laws of the Philippine Islands, with headquarters in Manila and branches in various parts of the islands to be known as "The Philippine agricultural bank," which, by complying with the provisions of this act, shall be entitled to the rights, privileges, and guarantees herein granted, for a period of twenty-five years from the date of the final approval of the articles of association by the Philippine Commission as hereinafter provided.

SEC. IV. The Philippine agricultural bank shall have an authorized cash capital of ten million pesos, which may be increased upon due authorization from the Philippine Commission. The bank shall not commence operations in the Philippine Islands until four million pesos of said capital shall have been subscribed, and at least two million pesos thereof paid in.

SEC. V. The articles of association of the Philippine agricultural bank, which shall be approved by the Philippine Commission before they shall become operative, and before the guaranties and privileges provided in this act shall become effective, shall make provisions in detail covering the following points:

(a) Capital stock—amount, character, par value, methods of subscription, payment, transfer, and rights, privileges, and obligations appertaining thereto.

(b) General meetings—ordinary and extraordinary—when, where, and how to be convened, of whom composed, how organized, and the powers and duties thereof.

(c) Directors—their number, method of election, term of office, qualifications, remuneration, powers, duties, liability, and accountability. At least two directors shall be appointed by the Governor-General.

(d) Other responsible officials of the bank—their method of appointment, duties, salaries, and bonded security required.

(e) The annual statement—its character in detail.

(f) Auditors—their number, method of appointment, term of office, compensation, qualifications, powers, duties, and accountability.

(g) Dividends—rules for their declaration and payment, and for their disposition when unclaimed.

(h) Rules for the valuation of mortgages and other securities tendered.

(i) The conditions which shall lead to dissolution, and the methods and condition of liquidation.

(j) Rules for the periodic communication to borrowers of statements of their accounts.

(k) Rules for the inspection of books and accounts by shareholders.

(l) Tables for the calculation of annuities.

(m) Rules and conditions for the renewal of loans and the extension of the dates of repayment.

(n) Rules regarding the notification required by the bank borrowers, with reference to any changes, either actual or prospective, in the property mortgaged, or in the bank's lien thereon, such as may be liable to impair the value of the mortgage as security to the bank.

(o) A list of the salaries of all officials of the bank.

(p) Rules for such other matters as may be considered necessary or desirable.

The articles of association, after once having been approved by the Philippine Commission, shall not be amended, nor in any way altered by the corporation during the period of the government's guaranty of dividends, nor thereafter until all advances made by the government shall have been repaid, without the express authorization of the Philippine Commission.

SEC. VI. The bank shall make no expenditures for the erection, improvement, or equipment of bank premises, which shall involve the payment of five thousand pesos or over, during the period of the government's dividend guaranty without first obtaining the approval of the secretary of finance and justice.

SEC. VII. Directors are responsible for operations undertaken by the bank other than those contemplated by this act and the articles of association pursuant thereto. Every director shall be individually liable for all damages caused to the bank by failure to comply with this rule, unless he shall prove that he was ignorant of the operation, or that the operation was protested against by him and that he communicated the fact immediately to the treasurer of the Philippine Islands and to the general meeting held, if any, next after said operation.

Every director shall, except those appointed by the government, own shares in the bank representing a par value of at least twenty thousand pesos. During the period of his directorate these shares shall be kept in the custody of the treasurer of the Philippine Islands.

They may not be alienated, pledged, nor in any way charged during his directorate. He shall ipso facto vacate office in case of breach of this rule.

SEC. VIII. Advances made by the bank shall be of three classes, to be known as loans of the first, second, and third classes.

Loans of the first class shall comprise all loans the principals of which shall be more than five thousand pesos and not more than thirty thousand pesos.

Loans of the second class shall comprise all loans the principals of which shall be more than two hundred pesos and not more than five thousand pesos.

Loans of the third class shall comprise all loans the principals of which shall be not more than two hundred pesos: *Provided*, That no loan shall be made the principal of which shall be less than twenty pesos, nor more than thirty thousand pesos, and that not more than one-fourth of the bank's total loans outstanding at any one time shall be comprised of loans belonging to the first class at the time: *And provided further*, That the bank shall treat with especial attention and favor applications of small farmers for loans of the second and third classes, the proceeds of which are to be used by them in improving agricultural properties, in planting or harvesting the crops, in purchasing farm implements, or in paying off prior debts.

SEC. IX. Loans made by the bank shall be subject to the following restrictions:

(a) No loan of the first or second class shall be made except on the security of a first mortgage on real estate situated in the Philippine Islands and duly registered under the Philippine land registration act: *Provided*, That advances made wholly or in part for the purpose of providing funds to enable a borrower to remove completely a prior lien on said real estate, and actually so used, with the effect of promptly giving the bank a first mortgage on the property, shall be considered as first mortgage loans for the purposes of this act.

(b) No loan of the third class shall be made unless it is properly secured either by collateral of a market value equivalent to twice the amount of the loan or guaranteed by two or more responsible persons of good standing.

(c) No loan of the first or second class shall be made of an amount exceeding one-half the market value of the property mortgaged or one-half of the assessed valuation of the property at the time of the last assessment, whichever valuation shall be the smaller.

(d) The bank shall not grant loans except for the purpose of assisting agriculture in the Philippine Islands.

(e) Advances for agricultural purposes against mortgages on urban property or forest lands shall not exceed one-third of the valuation of the property mortgaged. Not more than one-third of the bank's capital shall at any time be loaned on the security of urban property and forest lands together.

(f) The bank shall not grant loans on any of the following classes of property:

(1) Theaters; (2) mines; (3) quarries; (4) property in joint ownership, unless the mortgage extends to the whole of such property and has the consent of all the cosharers; (5) properties which are idle or do not yield a certain and durable income; (6) the bank's own stock.

(g) In no case shall the annuity, to the payment of which the bor-

rower obligates himself, exceed the total normal annual income of the property mortgaged.

(h) No loan of the first class shall be made except upon the written authorization of the secretary of finance and justice.

SEC. X. The bank shall not be permitted to hold real estate beyond that required for business premises: *Provided*, That the temporary acquisition of land as the result of foreclosure, or otherwise on account of a debt, shall be permitted on condition that land so acquired shall be sold within five years of the date of acquisition.

SEC. XI. Loans of the first and second classes shall be repayable by annuities covering principal and interest, and shall not run for a period longer than twenty years. When a loan is made to enable the borrower to make permanent improvements upon his land, the returns from which will not to any considerable extent be realized for some time, the bank may, in its discretion, provide that the repayment of the loan by annuities shall begin at any date not later than three years after the granting of the loan. The bank may authorize the payment of annuities in two or more installments. Loans of the third class shall not run for a period longer than two years, and shall be repayable at maturity in a lump sum covering principal and interest.

SEC. XII. The bank shall collect interest at the rate of ten per cent per annum on the amounts of the respective loans outstanding. The rate of interest shall be reduced in the following manner:

As soon as the bank shall have accumulated a surplus in the manner hereinafter provided equal to twenty-five per cent of its cash-paid-up capital, the rate of the interest upon the balances of all loans outstanding and upon new loans shall be reduced to nine per cent per annum; when the surplus shall equal fifty per cent of its cash-paid-up capital, the reduction shall be to eight per cent per annum; when the surplus shall equal seventy-five per cent of its cash-paid-up capital, the reduction shall be to seven per cent per annum, and when the surplus shall equal the cash-paid-up capital the reduction shall be to six per cent per annum.

SEC. XIII. Every borrower of the first and second classes shall have the privilege of repaying his loan in a lump sum prior to the date of its final maturity, or of paying in any year an amount, in addition to the regular annuity maturing in said year, equal to ten per cent or more of the principal still outstanding after said annual annuity shall have been paid.

Whenever payments shall be made in advance of the dates due, the bank shall, at the option of the borrower, either reduce the amounts of the respective annuities still unpaid, leaving the number of annuities unchanged, or reduce the number of annuities, leaving the respective amounts, as far as practicable, unchanged.

The bank shall be permitted to charge the borrower, thus paying in advance, a commission not to exceed one-half of one per cent per annum on the amounts of said advance payments for the period intervening between the date or dates of such advance payments and the due dates, respectively, of money so paid. Each payment in advance of maturity shall be considered as being paid on the annuity or annuities first becoming due.

SEC. XIV. The borrower, after the extinction of every thousand pesos of the principal of his debt, shall be entitled, upon request, to a corresponding diminution of the mortgage entered on the land register.

The above reduction shall be made upon presentation to the proper register of deeds of a declaration signed by the president or cashier of the bank and duly certified by a notary.

SEC. XV. The bank shall have the right of requiring the payment of the balance of its loan on three months' notice to the borrower, and in lieu of such payment to attach the property and foreclose the mortgage on any of the following conditions:

(a) When the borrower fails to make punctually his bounden payments to the bank; this right ceases when the arrears and all costs shall have been paid.

(b) When a mortgaged property, either by reason of bad management or other causes, deteriorates in value to such an extent as to endanger the security of the bank, and the borrower, upon reasonable notice, shall fail to either pay back a corresponding portion of the loan or to make such improvements as shall be necessary for the protection of the bank.

(c) When the borrower fails to insure his buildings, stock, and stores against fire.

(d) When the mortgaged property has been alienated inter vivos without the bank's consent, or, in the case of transference by succession, when the person inheriting the same fails to accept the conditions of the bank's loan contract within a reasonable period fixed by the bank.

(e) When the borrower is unable to prove that he has regularly paid the public dues upon his estate.

(f) When the estate comes under attachment or public sale.

(g) When the borrower fails in any way to meet the obligations of his loan contract.

SEC. XVI. No director, officer, or servant of the bank shall be permitted to bid for any real estate or other property sold on account of debt due the bank.

SEC. XVII. Annuities not paid when due, and loans of the third class not paid at maturity, may in the discretion of the bank be charged, in addition to the regular rate of interest payable on the loan, a penal interest of one-half of one per cent a month until paid.

SEC. XVIII. Reasonable expenses incurred by the bank in collecting loans not paid when due, in enforcing any of the terms of the loan contract, or in investigating applications for loans, whether the same shall ultimately be granted or not, shall be chargeable to the respective borrowers or applicants for loans on whose account or for whose benefit the expenses were incurred.

SEC. XIX. When a loan has been granted by the bank, the proceeds of which the borrower agrees to use for certain specified uses, the proceeds of such a loan shall not, without the consent of the bank, be diverted to other uses, or be subject to any claim upon a guaranty, or to any distraint or to any injunction, on behalf of a third person.

Loans granted by the bank according to the terms of which the borrower agrees to use the proceeds for certain specified uses, shall become immediately due, and the bank is authorized to adopt whatever legal means may be necessary for their prompt collection, if the borrower, without the permission of the bank, shall apply the proceeds thereof, either wholly or in part, to other uses than those specified in the agreement, and the diverting of the proceeds to such other uses without the consent of the bank, shall be a misdemeanor and as such render the

borrower liable to a fine not exceeding ———, or to imprisonment not exceeding ———, or both, in the discretion of the court.

SEC. XX. Property liable to damage by fire must be insured at the cost of the borrower, unless the bank at the same time holds in security of the debt, in addition to the property in question, other property not liable to damage by fire and equal in value to double the amount of the debt.

The loan contract shall contain a condition transferring to the bank, in case of damage, the amount of the insurance.

The bank may require that the policy shall be made out in its own name, and that the premium shall be paid by itself. In this case the amount of the annuity payable by the borrower shall be correspondingly increased.

In case of damage, the amount of the insurance shall be promptly paid over to the bank regardless of whether the policy shall have been made out in the name of the borrower or that of the bank.

During a period of one year from the date of the payment of the insurance, the borrower shall have the right of restoring the property to its original condition, or a condition equally good from the standpoint of the security of the bank's loan, and in doing so shall be permitted to draw on the bank, to the extent of the insurance fund held, to meet the reasonable costs of said restoration as rapidly as it shall be accomplished.

If at the end of the aforesaid year the debtor has not used his right of restoring the property, or if before that time he has notified the bank that he does not intend to restore it, or if the restoration shall have been accomplished and an undrawn balance shall still remain to the credit of the assurance fund, the bank shall credit the borrower's account with the assurance fund or the balance of said fund still remaining, setting it off against the debt as a payment in advance.

SEC. XXI. In all suits at law between the bank as one party and one or more persons to whom the bank has made loans as the other party, when the amount at issue shall not exceed ten thousand pesos, and when the suits shall relate to the principal or interest of a loan, the date or dates of its maturity, the amounts of the respective annuities, the maintenance of the property mortgaged, the bank's title therein, the alienation or attachment of the property, the foreclosure of the mortgage, or to any other matters relating to the granting of the loan, its security, repayment, or the terms of the loan contract, the jurisdiction of the court of first instance shall be final.

SEC. XXII. The bank, through its duly authorized representatives, shall be permitted to inspect all properties under mortgage to itself with reference to their value, maintenance, and management, and any other circumstances which may have to do with the security of the bank's loans.

SEC. XXIII. The bank shall be entitled to inspect the registration books and land records relating to properties within its area of operations, and to take extracts therefor free of charge.

SEC. XXIV. On or before the fifteenth day of January of each year the bank shall submit to the treasurer of the Philippine Islands on forms prepared by him a statement, sworn to before a notary, by the president or cashier of the bank, giving: (1) An itemized statement of its resources and liabilities at the close of the calendar year; (2) its operations during the year, including a detailed statement of (a) the

loans made, (b) the sums collected, (c) the past due loans outstanding, (d) loans renewed, (e) expenses of operation, (f) mortgages foreclosed, (g) attachments made, and (h) any other information with reference to the bank's resources, liabilities, and operations which the treasurer of the Philippine Islands may request: *Provided*, That nothing contained in this act shall be interpreted so as to render acts number 52 and 556, United States Philippine Commission, and such amendments thereto as may hereafter be made, inapplicable to the Philippine agricultural bank.

SEC. XXV. At the end of each calendar year the bank shall compute its net earnings for the year in the following manner:

To its gross earnings for the year it shall add all sums received during the year in payment of obligations to the bank which became due during previous years and were not paid. From the total sum so obtained the bank shall deduct (1) all expenses of operation for the year; (2) all sums maturing during the year and not paid on or before the thirty-first day of December. The difference shall be considered for the purposes of this act to be the bank's net profits (or net loss, as the case may be) for the calendar year in question.

SEC. XXVI. From the bank's annual net profits so computed the bank shall set aside a sum equal to four per cent of its cash-paid-up capital for the purpose of dividends, shall pay the Philippine government any sums due it on account of advances under the guaranty contained in Section XXVIII of this act, and of the remainder at least forty per cent shall be credited to the bank's surplus fund, until said fund shall be equal to twenty-five per cent of the bank's cash-paid-up capital, ten per cent shall be paid to the Philippine government, and the balance shall accrue to the corporation for dividends, or such other uses consistent with law as it may determine upon.

After a surplus fund equivalent to twenty-five per cent of the bank's cash-paid-up capital stock has been accumulated, at least twenty-five per cent of the bank's annual net profits over and above a sum sufficient to pay the aforementioned four per cent dividends and any indebtedness due the government on account of its guaranty, shall be placed to the credit of the surplus fund: *Provided*, That if the surplus fund should at any time fall below twenty-five per cent of the bank's cash-paid-up capital stock, forty per cent of the net annual profits over and above an amount sufficient to pay the aforementioned four per cent dividends and to meet the bank's obligations to the Philippine government, shall again be placed to the credit of the surplus fund each year, until said fund is restored to the equivalent of twenty-five per cent of the bank's cash-paid-up capital stock.

SEC. XXVII. The surplus fund, except such a part thereof as shall at any time be in excess of twenty-five per cent of the bank's cash-paid-up capital, shall be invested in one or more of the following classes of investments, and that part of the surplus so invested shall be known as the primary surplus:

(1) Bonds or other certificates of indebtedness of the insular government of the Philippine Islands.

(2) Bonds or other certificates of indebtedness of the municipal government of the city of Manila.

(3) Interest-bearing deposits in any bank or banks doing business in the Philippine Islands, which shall have an unimpaired capital and

surplus equivalent to two million pesos or over. At least one-fifth of the primary surplus shall at all times be so kept on deposit.

(4) Other investments in bonds or stocks or concerns doing business in the Philippine Islands or elsewhere, which shall be approved in advance by the secretary of finance and justice.

If at any time the primary surplus shall exceed at the current market prices of the securities held, twenty-five per cent of the bank's cash-paid-up capital stock, the excess or any part thereof may be loaned by the bank in the same manner and for the same purposes as is the bank's capital. That part of the surplus so invested shall be known as the secondary surplus.

If by reason of the payment of dividends from the primary surplus, the depreciation of the securities in which it is invested, or of other causes, said primary surplus shall at any time fall below an amount equal to twenty-five per cent of the bank's cash-paid-up capital, the twenty-five per cent invested in the manner aforementioned shall be restored as rapidly as possible, and for that purpose the secondary surplus shall be correspondingly reduced.

SEC. XXVIII. If in any year during the period of this concession there shall be a net loss, or if the net profits, as above computed, shall not be sufficient to pay the aforementioned dividends of four per cent upon the bank's cash-paid-up capital, there shall be deducted from the surplus fund a sum sufficient, together with the net profits of said year, to enable the bank to pay the aforementioned dividend of four per cent; and if the entire surplus fund and the net earnings of the year taken together shall not be sufficient to enable the bank to pay said dividend of four per cent on the bank's cash-paid-up capital stock, then, and not otherwise, there shall be paid to the bank by the treasurer of the Philippine Islands, acting under specific instructions from the secretary of finance and justice, a sum out of the funds of the insular treasury not otherwise appropriated, sufficient, together with the surplus and the net profits for said year, to enable the bank to pay the aforementioned dividend of four per cent: *Provided*, That said guaranty shall at no time render the Philippine government liable to the bank for an annual payment greater than four per cent of the par value of the bank's duly authorized cash-paid-up capital stock.

SEC. XXIX. Money paid by the Philippine government pursuant to the aforementioned guaranty, together with interest thereon compounded annually at four per cent per annum, shall be a contingent liability of the bank to the Philippine government, and, as such, shall constitute a lien upon the annual net profits of the bank, subject only to the right of the stockholders to receive therefrom four per cent dividends per annum upon the bank's cash-paid-up capital stock. No dividends above four per cent shall be paid, and no profits credited to the surplus fund, either during the period of the governments' guaranty or subsequent thereto, until the Philippine government shall have been repaid in full, principal and interest, all sums advanced to the bank under said guaranty.

Obligations of the bank to the Philippine government arising from advances made pursuant to the aforementioned guaranty, and existing at the time when the bank shall go into liquidation, shall constitute a lien on the bank's assets, subject only to the payment of the bank's legitimate debts, and the repayment to the stockholders of the par

value of the bank's duly authorized cash-paid-up capital stock: *Provided*, That nothing in this section shall be interpreted as a guaranty on the part of the Philippine government to the stockholders of the bank of the par value of the bank's cash-paid-up capital stock, when the bank shall go into liquidation.

SEC. XXX. The Philippine Agricultural Bank shall be permitted, on the approval in each instance of the treasurer of the Philippine Islands, to utilize the services of any of the provincial treasurers of the Philippine Islands, and any of the municipal treasurers in their capacity as deputies of the provincial treasurers of their respective provinces, in so far as such services shall not conflict with the efficient performance of the official duties of said provincial and municipal treasurers. Collections made by provincial and municipal treasurers pursuant to this section shall be made as far as practicable at the times when the regular taxes of said provinces or municipalities are collected, and in connection therewith. In making collections for the Philippine Agricultural Bank, municipal treasurers shall be responsible to the provincial treasurers under whose instructions they shall act, as in the collection of provincial taxes.

Compensation for services rendered shall be made by the bank to provincial and municipal treasurers in the form of definite percentage of the sums collected. The total commission paid shall not exceed one and one-half per cent of the sums collected.

The bank shall give additional compensation for special services rendered.

Provincial treasurers, in making collections as above provided, shall be responsible directly to the bank, and monthly accounts of such collections shall be rendered by them to the bank on or before the fifth day of each month, copies of which shall at the same time be forwarded to the treasurer of the Philippine Islands and to the insular auditor.

Funds collected for the bank may be temporarily kept on deposit in the various provincial and municipal treasuries without charge to the bank: *Provided*, That in case the keeping of said funds shall necessitate extra vault room or additional clerical assistance, the expenses thereof shall be met by the bank: *And provided further*, That the responsibility for funds so deposited shall rest upon the provincial treasurer, in his capacity as the agent of the bank and not as the representative of the government of the Philippine Islands or any of its branches: *And provided further*, That all accounts and records of transactions, either directly or indirectly pertaining to the affairs of the Philippine agricultural bank, shall be kept entirely separate and distinct from the official accounts and records of the various provincial and municipal treasurers, and all funds belonging to said bank shall be kept entirely separate from the municipal, provincial, and insular funds held by said treasurers, and shall be labeled as such.

SEC. XXXI. The public good, etc.

SEC. XXXII. This act shall take effect upon its passage.

MANILA, P. I., *February 10, 1905.*

EXHIBIT B.

AGRICULTURAL CREDIT IN THE PHILIPPINES.

SCHEDULES.

- I. Rates of interest prevailing in different provinces on loans secured by realty.
- II. Summary of opinions of provincial treasurers concerning the advisability of establishing an agricultural bank.
- III. Extracts from opinions of provincial treasurers concerning the need of an agricultural bank.
- IV. Statement showing (a) agricultural land registered in each of the provinces under the Philippine land registration act; (b) agricultural land in each of the provinces, applications for the registration of which are pending.
(This last schedule is in course of preparation and will be submitted later.)

SCHEDULE I.

Rates of interest prevailing in different provinces on loans secured by realty.

[Extracts from letters of provincial treasurers, May, 1903.]

Province.	Rates of interest.	Remarks.
	<i>Per cent.</i>	
Abra	25.....	Money loaned usually on tobacco crops at 25 per cent per annum.
Albay	10 to 120	Money advanced by commercial houses to small buyers. The rate of interest charged by the commercial houses will average about 10 per cent on short-time loans; very frequently 10 per cent per month is charged for these loans. This money is sublet to people in mountains at much higher rates.
Ambos Camarines.....	24 and upwards...	"Practically no loans are now being made on lands and crops; occasional loans are made on this class of security, but so few that there is no quotable rate. I think it is safe to say that no such loans are made at less than 2 per cent a month, and generally at a much higher rate."
Antique	75 to 100	"Loans are being made upon crops at from 75 to 100 per cent interest for from four to six months, and upon lands at about the same rates of interest, but for from one year to eighteen months."
Bataan	10 to 15	"There are some loans now made on land here, private means generally, and but few, I believe. The rate of interest is from 10 to 15 per cent, averaging about 12 per cent. It is, I believe, rather more usual to get short-time advances on crops at about same rate."
Batangas	10 to 25	"Very few loans are being made in the province upon the land for the purpose of improving the same. Loans are being made in small sums for various enterprises, and the rate per cent varies from 10 to 25 per cent, according to the circumstances and needs of the borrower."
Bohol	10 to 50	"At the present time nearly all the farmers borrow money, to be repaid with interest at from 10 to 30 per cent or in shares of the crop, one-third to one-half of the crop being the property of the loaner. The sums borrowed at present are small, as a rule, generally less than Pfs. 100."
Bulacan	15 to 25	"Interest paid is usually from 15 to 25 per cent, in many instances greater."
Cagayan.....	25 to 50	From 30 to 35 per cent of the farmers borrow money on their crops at present. Rates of interest vary from 25 to 50 per cent.
Capiz	Prohibitive.....	There are few, if any, loans now being made upon lands and crops in this section, and it is impossible to state the prevailing rate of interest. The rate during the Spanish régime was 25 to 35 per cent per annum. Loans could not be secured here now, with farm lands as security, even at those rates. As a matter of fact, the people who have money are afraid to let it out at any price.

Rates of interest prevailing in different provinces on loans secured by realty—Continued.

Province.	Rates of interest.	Remarks.
	<i>Per cent.</i>	
Cavite	Not known	"There is scarcely any money loaned on real estate in this province. I know of but one man who does any business of this sort, and do not know what interest he charges, but know it is so high that he is hated by the people, and he is said to take their land eventually."
Cebu	10 to 25	Rates from 10 to 25 per cent per annum, with condition that in case of bad cultivation indemnification will be half of the grain or fruits collected from the mortgaged property.
Ilocos Norte	20 to 100	"When the actual currency is exchanged the rates of interest are very high, ranging from 20 to 100 per cent per annum."
Ilocos Sur	10 to 100	The rate of interest on loans made on crops range from 10 to 100 per cent.
Isabela .....	.....	"So far as I can learn no loans are being made to agriculturists of Isabela, except by corporations and a very few native land owners of importance to tenants on their haciendas, and these are only made in the form of supplies furnished during the year, for which the tobacco crop is security. No specific rate of interest is charged for this kind of loan, but the privilege is reserved of buying all the tobacco of the tenant at such prices as the land owner thinks it worth."
Laguna	10 and upward ...	"There prevails in this section a system of mortgage by which the owner of lands or cocoanut trees borrows money very near to actual value of property and turns over property to mortgagee, who in turn reaps all benefits accruing from products of land or trees. The almost universal custom is that after four years should the mortgagor desire to redeem property he can do so by repayment of sum originally borrowed. When money is loaned at interest there seems to be no fixed rate; 10 per cent seems the lowest rate."
Mindoro	10 to 30	"Loans are being made in this province with interest ranging from 10 to 30 per cent, with a custombre compound."
Misamis	8 to 12	"At times money can be borrowed here in small amounts on real estate by paying from 8 to 12 per cent interest annually."
Romblon .....	.....	"No loans of any sort can be learned of."
Oriental Negros	10 to 25	"The interest paid ranges from 10 to 25 per cent. The money is generally obtained in Iloilo and Cebu."
Pampanga	25 to 40	Share system. Money, when loaned on "gilt-edge security," brings from 25 to 40 per cent per annum.
Pangasinan .....	.....	No rates given.
Rizal	Up to 30 and 35 ...	Rates varying up to 30 and 35 per cent.
Samar .....	.....	No rates given.
Surigao .....	.....	Do.
Tarlac	12 to 50	Rates on best land titles from 12 per cent upward. When loaned on the crop the general rate is a cavan of palay for every dollar loaned, or almost 50 per cent.
Tayabas	24 to 36	The minimum rate of interest is 24 per cent, usually computed at 2 per cent monthly. Many are paying as high as 36 per cent.
Zambales .....	.....	No rates given.

SCHEDULE II.

SUMMARY OF OPINIONS OF PROVINCIAL TREASURERS CONCERNING THE ADVISABILITY OF ESTABLISHING AN AGRICULTURAL BANK IN THE PHILIPPINES. (MAY, 1903.)

Opinions of provincial treasurers concerning the advisability of establishing an agricultural bank in the Philippines.

Province.	Favorable or unfavorable.	Remarks.
Abra	Favorable	
Albay	Favorable	"Would be of inestimable value to the people of this province."
Ambos Camarines	Unfavorable	"I do not think such an institution as an agricultural bank is either necessary or advisable."
Antique	Favorable	"I think the establishment of such an institution will be of great benefit, both local and general."
Bataan	Favorable	

Opinions of provincial treasurers concerning the advisability of establishing an agricultural bank in the Philippines—Continued.

Province.	Favorable or unfavorable.	Remarks.
Batangas	Favorable	"I heartily indorse the project of establishing such a bank, and earnestly recommend its immediate establishment, and in doing so I voice the unanimous sentiment of the people of Batangas."
Pohol	Favorable	"Although the success of such an institution is not at all assured, the great amount of good that it would do, if successful, would make it worth while trying the experiment."
Bulacan	Favorable	"There is no doubt but that the establishment of a government agricultural bank in these islands would be of vast benefit and importance to the people of this province."
Cagayan	Favorable	"I earnestly recommend to you the establishment of a government agricultural bank, to assist in the agricultural development of this country. * * * This can not be too positively recommended to the government."
Capiz	Favorable	"I strongly recommend the adoption of the plan, and trust it will be carried into effect with the least practicable delay. I feel sure that the greatest good would result from the establishment of the bank to all classes of people."
Cavite	Favorable	"There is no part of the islands that needs money worse than this province. * * * I think it (the bank) greatly needed."
Cebu	Favorable	"Agriculture will take on new life in this district, and it will be very advantageous for everybody."
Ilocos Norte	Favorable	"Would be in every respect of great benefit to the people, and if properly brought to their notice would, I am sure, be taken advantage of."
Ilocos Sur	Favorable	
Isabela	Unfavorable	"I do not believe that there is at present any demand for or necessity on the part of the inhabitants of Isabela for such an institution. * * * Under present conditions, loans would injure instead of help the natives."
Laguna	Favorable	"Such an institution would be acceptable to the people of this province, provided the rate of interest was not too great."
Mindoro	Favorable	"I believe that the bank mooted is necessary, and will work a lasting good, provided it can be so established as to help the 'small farmers' or the men having only a small piece of land."
Misamis	Favorable	"The establishment of such a bank as you mention would certainly be received as a Godsend by the people of Misamis Province."
Romblon	Unfavorable	"Except to loan money for roads to the municipalities, an agricultural or any other sort of a bank would be premature so far as it would help Romblon."
Oriental Negros	Favorable	"I have personal knowledge of the great desire of the people for some form of legitimate banking, by which money could be obtained at a reasonable rate of interest."
Pampanga	Favorable	"In this province * * * such a bank properly conducted would be of incalculable benefit to the poor farmers."
Pangasinan	Favorable	"There is no question but that such an institution, established in this province, would be of the utmost benefit to the farmer, if small loans be made."
Rizal	Favorable	"The establishment of such an institution * * * will be of immense value, not only to the individual land owner, but also to the province and the public in general."
Samar	Favorable	"Such an institution would be welcomed, and would prove to be of incalculable benefit to the province."
Surigao	Unfavorable	"I do not favor the establishment of an agricultural bank, as far as this province is concerned. * * * The tendency would be to fritter away such loans for other purposes, leaving them in worse condition than before."
Tarlac	Favorable	"The general opinion is that such an institution would be the salvation of the farmers."
Tayabas	Favorable	"There is no question in my mind but what your idea is a grand one and would work an incalculable amount of good throughout the Archipelago."
Zambales	Favorable	"Taking everything into consideration, I am of the opinion that it would ultimately be a success for the people, for this province, and for the bank itself."

EXTRACTS FROM OPINIONS OF PROVINCIAL TREASURERS CONCERNING
THE ADVISABILITY OF ESTABLISHING AN AGRICULTURAL BANK IN THE
PHILIPPINES.

[Letters written May, 1903.]

ALBAY.

With regard to this will say that there is probably no province in the Philippines where the necessity of a bank is more apparent daily than in the province of Albay. By referring to the governor's reports for 1901 and 1902 you will find this is strongly recommended. Enormous sums of money are required here for moving the hemp crop. At present this money is invariably advanced by the commercial houses to the small buyers in the mountains, who there advance it to the owners of the lates. The rate of interest charged by the commercial houses will average about 10 per cent on short-time loans; very frequently 10 per cent per month is charged for these loans. The rate at which this is sublet to the people in the mountains I am unable to say, but undoubtedly it is at a much higher rate.

Enormous sums of money are handled in this province with absolutely no clearing house whatsoever except those in Manila. There is fully a million dollars that changes hands in the town of Legaspi alone every thirty days, the real clearance of this money being in Manila on which two-thirds of 1 per cent is charged for transporting the money by the steamships.

Fully 70 per cent of the adult male population of this province are property owners; the hemp lates vary in size from half a hectare to 10,000 hectares.

A banking institution stationed in Legaspi for the handling of funds for the purpose as stated in your letter will be of inestimable value to the people of this province.

Permit me to suggest that if an institution of this sort is opened there be in connection with it a savings depository, somewhere after the system of savings banks at home. The ordinary workingman of this province makes from 2 to 10 pesos per day; the hemp worker will average 8 pesos per day. He has absolutely no conception of saving money, and if he did save it he would have no place to deposit it; therefore he invariably gets rid of it as rapidly as possible, and, no doubt, this has much to do with the great sums that are handled in the cockpits. Drawing his wages on Saturday, and having no place in which to deposit it, he proceeds to get rid of it as speedily as possible in the way that he may be able to get the most amusement and excitement out of it. In that case he generally resorts to the cockpit.

A savings institution, I thoroughly believe, is quite as important here as a commercial bank; both would be of inestimable value to the Philippine Islands, and would be of very great convenience to the Americans and Europeans who are endeavoring to engage in business out here.

AMBOS CARMARINES

The advantages of such a concern would be largely accepted by the landowners of this province. I should say that at least a majority of the owners of agricultural land would borrow money on their holdings.

Practically no loans are now being made on lands and crops. Occasionally loans are made on this class of security, but so few that there is no quotable rate. I think it is safe to say that no such loans are made at less than 2 per cent a month, and generally at a much higher rate.

There is a demand for and need of money for improvement of land and the development of the agricultural resources of the province.

Having made direct answer to the inquiries propounded in your letter I will ask you to pardon me for giving you my views on the question of the desirability of the Government establishing an agricultural bank in these islands, viewing the subject from the standpoint of its probable effect on the government and the people.

I will begin by stating that for many years I was in the employ of a large loan company engaged in loaning money on farms, and my conclusions are the result of actual experience. * * * From this experience I think that about half the farmers who borrow money on their farms are injured rather than bettered by the transaction. Frequently a farmer who has become involved in debt and owes many small debts on which he is paying a high rate of interest is bettered by funding this indebtedness at a low rate and securing the debt by a mortgage on his farm, thus giving him a series of years to work out of his misfortune. But the farmer who borrows money for the purpose of enlarging and extending his operations almost invariably goes to the wall. * * *

Now, let us try and look into the future and see what would result if the government of these islands goes into the farm-mortgage-loan business. In making a farm loan in the States the first thing considered is the value of the security and what would the mortgagee do with it in case he comes in possession of it, and second the character, standing, and business ability of the borrower. Here I think this order should be reversed and the borrower should first be considered. These people are notoriously lax in the fulfillment of financial obligations. They are the most hospitable, generous, and obliging people I have ever known, but the obligation of a debt sits lightly on them and if they want a thing they buy it. Almost without exception they are gamblers, and I fear that the proceeds of the loan from the agricultural bank would go to the cockpit and the monte table, and should any of it escape those dangers it would go to the diamond dealer and piano merchant. Should the government come in possession of this land in any quantity I do not see what could be done with it. Certainly the government could not go into the business of farming, and the only thing that could be done would be to dispose of the property for a fraction of its true value to the speculator.

My field of view is not large, being confined to this province, but from my standpoint I do not think such an institution as an agricultural bank is either necessary or advisable. This province can not be called prosperous, but there is certainly no suffering from lack of the necessities of life on the part of those who are willing to work. * * *

My conclusions are that the establishment of the proposed bank would prove a detriment to both the government and the people. Should it be established it would result in the taking over of a large quantity of agricultural land by the government and the eviction of the former owners. This would result in a bitter and hostile feeling on the part of the evicted and their relatives and friends against the government that might become so widespread as to seriously affect the peace of the islands. In fact, I believe the proposition is positively dangerous. In this connection I will say that I have given considerable thought to the questions of loans on agricultural land in these islands with a view of possibly soliciting the investment of American capital in such an enterprise; but I have not been able to bring myself to the point of advising any of my friends to make such an investment.

ANTIQUE.

I have the honor to inform you that upon inquiry I find that the advantages that would be offered by such an institution would be accepted by about 75 per cent of the agricultural people of this section.

Loans are being made upon crops at from 75 per cent to 100 per cent interest for from four to six months, and upon lands at about the same rates of interest, but for from one year to eighteen months.

There is a great need of money for the purchase of modern farm implements. This province is capable of exporting 150,000 cavans of rice and 100,000 piculs of sugar yearly. She has done it and can do it again if the farmers can borrow money at reasonable rates of interest on their lands to enable them to get a fair start again after having been idle for two or three years on account of the war. It is very hard on them at present. Besides, the landowners, so far, have seemed to pay little or no attention to the land-registration act. Now, if such a concern as above mentioned should be established people will have to see that their titles to lands are registered or they will not be able to borrow any money on them. I think the establishment of such an institution will be of great benefit, both local and general. It would put a stop to such high rates of interest now being paid by the poorer classes, who are losing their lands on account of a small obligation they can not meet, because in a few months the interest amounts to as much as the original debt. * * *

BATAAN.

It is beyond question that Bataan's full quota of applications for such loans would be made, generally, in small amounts. The people here seem to think such a bank the thing principally needed and attribute a very large part of existing depression to the absence of facilities for borrowing upon land and crops. I am saying what they think.

There are some loans now made on land here—private means, generally—and but few I believe. The rate of interest is from 10 per cent to 15 per cent, averaging about 12 per cent. It is, I believe, rather more usual to get short-time advances on crops at about same rate.

Certainly in this province a large sum could be placed, to the great benefit of conditions if wisely expended. It could be managed so that the visible security would be large enough, the only real trouble being the personal equation of the borrower.

In my opinion the assessed valuations would be an unsafe basis of measurement. Lands have been listed rather high.

If I may be allowed to say it, I fancy it is not so much the lack of funds as the expensive and out-of-date method used that are principally responsible for conditions, and I would fear that, in many instances, loans made to continue along such lines would result in many losses.

BATANGAS.

The province of Batangas is solely an agricultural province, and the prostration of agriculture has impoverished the province.

Unless some such measure is taken to give the landowners of the province the necessary capital to purchase animals, modern machinery and seed, the outlook is very discouraging. There is pressing need of such a bank and the people of Batangas will gladly avail themselves of the opportunity thus afforded.

Thousands of hectares of rich, tillable land are lying idle for want of sufficient capital to enable the owner to cultivate the same.

The people of Batangas Province could conservatively use capital amounting to at least \$500,000 local currency, provided the interest was low enough to warrant its use. Very few loans are being made in the province upon the land for the purpose of improving the same. Loans are being made in small sums for various enterprises, and rate per cent varies from 10 per cent to 25 per cent, according to the circumstances and needs of the borrower. If money could be had for 5 per cent upon land security of double value, it would be the salvation of the province.

I heartily indorse the project of establishing such a bank and earnestly recommend its immediate establishment, and in doing so I voice the unanimous sentiment of the people of Batangas. * * *

The province of Batangas, possibly more than any other province, is in need of such assistance. Batangas is almost entirely an agricultural province; coffee, corn, rice, sugar, cotton, chocolate, fruits, cattle, horses, hogs, and poultry being the principal sources of revenue in the past. The coffee industry has been destroyed by an insect, but there is a very bright prospect that the new coffee now being planted will be a success. Sugar cultivation is entirely at a standstill at present for want of work animals. Most of the cattle died of rinderpest, and the present condition of the province is deplorable.

Loans made by an agricultural bank would be used by the people of the province in planting coffee, abaca, cocoanuts, purchasing carabao, and bulls for agricultural work and in the improvement of their methods of cultivation. * * *

BOHOL.

There is no doubt that such an institution would be a benefit to the agricultural industry; in fact, it is very badly needed, but it should be conducted in such a manner that it would benefit the real agricultural population and not the wealthier speculators, who would be the first to take advantage of it.

To be of real use to the people such an institution should have an agency or representative in each province, who should have a knowledge of the people with whom he would deal.

A Filipino could not perform the managing or accounting of such an agency, and therefore this representative or manager should be an American, who should have a well-paid native assistant, one who could be depended on for conducting investigations and valuations of property, etc.

At the present time nearly all the farmers borrow money to be repaid, with interest at from 10 to 30 per cent or in shares of the crop, one-third to one-half of the crop being the property of the loaner.

The sums borrowed at present are small as a rule, generally less than \$100 Mexican, and the Chinos and wealthier Filipinos have a monopoly of the business and are becoming the possessors of a great deal of the land.

Another thing to take into consideration is the fact that most of the borrowers do not possess legal title to their land, although their titles are good, probably; and this being the case, if the regulations for borrowing money were too strict, the bank would be of no benefit to the people and could not be taken advantage of unless crops, machinery, cattle, etc., were accepted as security.

There must also be taken into consideration the cattle-raising industry. Cattle raisers do not usually own the land upon which their cattle graze, and if they did it

would not be sufficient security for loans on cattle; therefore liberal provisions should be made for this class of loans, this branch of the agricultural industry being in more need of assistance than almost any other.

It is a significant fact that the banks in the Philippines do not make loans of the above-mentioned classes, however their conservatism is well known.

The running expenses of an agency in each province would probably amount to \$3,000 United States currency per annum. To be self-supporting and provide against possible losses, each agency should do at least about \$100,000 worth of business at 6 per cent per annum. Increase of business would not necessarily mean increase of expenses.

The main points to be taken into consideration in forming such an institution would be: Sufficient capital to make bank self-supporting (including possible losses) on loans at low rate of interest; facility and promptness in making loans; method of benefiting the real agricultural class, and provisions for excluding speculators from the benefits thereof.

Summary: An agricultural bank should not be founded without, first, careful study of conditions in other colonies comparable to the Philippines; second, careful study of conditions in each separate locality or province. The conditions above mentioned apply to Bohol. They do not apply to other parts of the Philippines, such as Negros and Luzon, where the large land owner is the rule and not the exception.

Although the success of such an institution is not at all assured, the great amount of good that it would do, if successful, would make it worth while trying the experiment.

BULACAN.

There is no doubt but that the establishment of a Government agricultural bank in these islands would be of vast benefit and importance to the people of this province.

Money is very much in demand here. The interest paid is usually from 15 to 25 per cent, in many instances greater. The method employed in making loans is as follows:

A person who has a clear title to a piece of property, say valued at 5,000 pesos, takes such deed, together with a document (promise to pay) for 1,500 pesos to be paid one year after date. This man probably borrows 1,000 or 1,200 pesos, and at the expiration of the note pays 1,500 pesos, when the deed is returned to him.

CAGAYAN.

The inhabitants of this province are principally Cagayanes or Ibangs, with some Ilocanos. The towns of Claveria and Sanches Mira are entirely Ilocano, and most of the other towns have a considerable number of this race.

The Ilocano is a thrifty, hard-working man, careful of his property, and making provision on the sale of his yearly crops for all possible expenses during the year. He lays aside money for food not produced by himself, even for salt, also for taxes, clothes, and burial expenses.

The Cagayan is shiftless, lazy, and indolent. He will raise enough for his actual wants and no more. When taxes come due, or other expenses occur out of the tobacco-selling season, he borrows the money, if possible, to meet such expenses.

They are a quiet people, and, if not influenced from outside sources, will go on living as their fathers have, planting the same crops, tilling the land with the same implements, and celebrating the same fiestas forever. The councilmen, principales, and presidentes wield a wonderful power over the people, and can influence them for good or evil, much as they see fit.

The land of this province, as shown by the land-tax registers of last year, is owned by 22,046 persons, declaring some 68,000 to 70,000 different parcels of land. The revenue from land taxes, charging three-fourths of 1 per cent in all towns except Apparri, where rate was thirteen-twentieths of 1 per cent, was over \$26,000 United States currency, showing the value of land and improvements of the province at approximately \$3,500,000 United States currency. Additional registrations of this year will increase the numbers of holders by 2,000, and with the tax revision the value of the land by \$500,000 United States currency.

The value of land, as estimated from last year's register, is \$158.67 United States currency for each owner. The estimated population of this province is from 100,000 to 120,000, which would show one in every five persons owning property in fee simple. * * *

If an owner has his land worked by others, he, the owner, furnishing the carabao, the crop is equally divided between him and the laborer. If the laborer furnishes the carabao the crop is divided two-thirds to the laborer and one-third to owner.

From data collected by the board of tax revision the owner's revenue per hectare for first-class land is from 40 to 50 pesos per annum from tobacco and 10 to 15 pesos per annum from the corn crop, when the owner gets but one-third. This will show at the lowest estimate a revenue of \$150 local currency, per hectare per annum, while for the highest, \$195 local currency, when cost of labor and carabao is not deducted as is the case with small owner having his own carabao. This is the revenue for an average year. * * *

There is considerable money loaned to farmers in this province. The money is not spent for the improvement of the land or in the purchase of implements, but to meet current expenses of farmers for the year. The rate charged is 50 per cent per annum, or from the time loaned to the harvesting of the crop.

The Chino merchant gives the farmer credit, and for each peso the farmer guarantees to deliver at harvest time one fardo of tobacco of the fourth current class, worth \$1.50 local currency. Some tobacco buyers advance money with the understanding that for every peso the farmer will deliver one fardo of fourth current class tobacco. The larger companies loan money with the understanding that the farmer will sell his tobacco to them, but they charge no interest. However, it is generally reported by the natives that the classification of the tobacco is so arranged by placing part of the tobacco in one class lower than where it rightfully belongs, that it results in a charge of from 25 to 50 per cent. People loaning money claim that the risk of collection is so great that this rate is considerably decreased to the creditor. From 30 to 35 per cent of the farmers borrow money on their crops at present. * * *

It is estimated that 40 per cent of the land owners have not sufficient carabaos to work their land. * * *

It is possible that with sufficient carabaos here to reduce them in cost to a reasonable amount, the cultivated area would be increased from 25 to 50 per cent. * * * That the people would gladly borrow money at a low rate for the purchase of carabaos there is not the least doubt. If carabaos could be brought in and sold at a reasonable rate the benefits to the farmer would be very great. They can not restock their farms at present except by natural increase of cattle, on account of the high rate of interest and equally high price of cattle.

As to the purchase of improved implements, the general opinion is that the native will not change his present primitive methods of agriculture for modern ones. * * *

Fertilizers are not purchased by these people. They burn the grass off the fields, together with any rubbish before plowing them. A large part, and I may say all, of the best lands now being cultivated are in the low river bottoms, and the yearly inundations of the Cagayan, with its many tributaries, cover the ground with a deposit of sediment, which is the best of fertilizers. The flat land above the high water, and not overflowed, receives no fertilization other than the burning of the grass, brush, etc.

If cheap fertilizers can be delivered in the tobacco district to fertilize land not overflowed at high water, the crops can be fully doubled on such land. Whether the native farmer, after he has been made to see that, by proper expenditures for fertilization, his crops will be very materially increased, will then make an effort in this line, can only be told by experiment. The consensus of opinion of the principal educated Filipinos is that this can not be done. The ignorance of the better class of people here on this subject is surprising. It can only be attributed to the fact that fertilization has never been attempted. They know nothing of the possibilities of such methods, and believe if the land is not overflowed it is inadvisable to use artificial fertilization. They have had new lands to draw on without keeping up the old, and can not see far enough into the future to realize the necessity of fertilizing.

Nature has endowed the Cagayan Valley with her richest gifts: Low, fertile lands extensive in area, bountiful rainfalls for eight months in the year, natural fertilization of soil by alluvial deposits, and cheap water transportation to the principal markets. The inhabitants have depended on these gifts, and have cultivated in the most primitive manner what land they needed to meet their few wants.

To develop these natural gifts and increase their wealth and importance has been the aim and ambition of a very few. They are much like the man born with a gold spoon in his mouth. They have lost their natural energy from the fact that everything they wish can easily be procured, and they have grown into the habit of producing this little with the least possible fatigue to mind and body. The development of this valley is all in the future. The possibilities are not exceeded in any part of these islands and are equaled in a very few sections. With proper development it can be made one of the greatest wealth-producing provinces in the archipelago. It can in time be made to support a population of twenty times what it does to-day, and even with this population the wealth per capita will exceed what it does to-day.

The greatest need at present is money, at low rate of interest, to buy sufficient carabaos to farm the fields lying idle from the scarcity of such animals. This can not be too forcibly recommended to the government. If something is not done in this line, and also some attempt made to preserve what cattle have lived through the rinderpest scourge of the last ten years, in a very short time these people will be in want. In my opinion it actually exists in some sections at present.

I earnestly recommend to you the establishment of a government agricultural bank, to assist in the agricultural development of this country.

The difficulties of getting satisfactory security will be great, as the lands are not registered, and many farms are claimed by several different owners. But with all the difficulties offered, the advantages and possibilities far overweigh them.

CAPIZ.

I have the honor to state that in my opinion the beneficial effects of such an institution would be far reaching. However, it should be so operated as to be within easy reach of the people of all sections.

Commercial prosperity in this province is entirely dependent upon agricultural success. To promote the interests of agriculture we must have government assistance or the same distressing conditions will continue to exist for many years. Many owners of valuable haciendas are not able to pay their taxes, and when the lands are offered for sale they are invariably forfeited to the municipality, as there are no buyers even at the price of the amounts due for taxes. The situation here is becoming worse as each year passes. The failure of the rice crop for several years in succession has brought about a condition of distress which is hard to describe. It is true much more could have been done with the means at hand than has been accomplished, and, taking this view of the matter, I have been somewhat deceived as to the extent of the suffering among the laboring classes, but long observation and a close study of the conditions have shown as conclusively that the distress is genuine, no matter what may have been the cause. These are a peculiar people. They have not the moral courage to face disaster and to make the best of poor conditions, and, as is well known, they take little thought for the future. When I say that much more could have been accomplished, the statement refers to the production of food supplies to meet present necessities and not to commercial prosperity, which can only be brought about by the government taking the lead in assisting and encouraging the people to improve and develop their farm lands; to teach them new methods of farming, and to introduce modern machinery, with practical demonstrations showing the advantages to be gained over the present system.

Looking over the situation as it is to-day, I do not find much to encourage the hope for any material change for the better within a number of years unless the greatest effort is made to replace the carabaos that have died of rinderpest and other causes, and to offer such financial assistance to the farming class as would enable them to begin at once the cultivation of their lands. The necessity is urgent, and nothing less than prompt action in the direction indicated can, in my opinion, avert the most serious consequences.

The establishment of an agricultural bank has been discussed here for some time and the people have been looking forward to it with the expectation of many benefits. There are few, if any, loans now being made upon lands and crops in this section and it is impossible to state the prevailing rate of interest. I am informed that during the Spanish régime the rate charged was from 25 per cent to 35 per cent per annum. I am sure that loans could not be secured here now, with farm lands as security, even at those figures. As a matter of fact, the people who have money are afraid to let it out at any price. There seems to be a general lack of confidence in the ability of those who would borrow money to repay the same when due, and this doubt is apparently well founded. The only difficulty likely to be encountered in carrying out the plan, which, it is presumed, has already been fully considered, lies in the fact that very few persons have registered titles for the land which they claim. This question could probably be arranged in many cases and would in the end be the means of the property owner having secured good titles to his real estate, whereas, he would probably neglect to do so without such incentive.

I strongly recommend the adoption of the plan and trust that it will be carried into effect with the least practicable delay. I feel sure that the greatest good would result from the establishment of the bank to all classes of people.

CAVITE.

There is scarcely any money loaned on real estate in this province; I know of but one man who does any business of this sort, and do not know what interest he charges,

but know it is so high that he is hated by the people, and he is said to take their land, eventually. There are not many large estates here, excepting the Friar lands, which I suppose the people will get, but in very small tracts. The few owners of large haciendas who need money go to Manila for it, generally to the banks. I feel sure that every man of them would be glad to place a loan with the government bank in order to restock his place with animals and buy machinery and implements.

There is no part of the islands that needs money worse than this province. It is really distressing to see the great tracts of land untilled for want of animals and implements. Irrigation ditches are built now wherever they are practicable, but they are not kept up for want of money. I think at least 500 men would be glad to get loans on long time on their haciendas at any reasonable interest.

Besides the general good to be derived from the proposed bank there must be taken into consideration the fact that a measure of prosperity would tend to reduce the number of ladrones in the province, as the people would have work for all that wanted work. This is a matter of the gravest importance to us, and there is no let up in the evil.

ILOCOS NORTE.

I have the honor to report that the practice of loaning money on land has long been established in this province. The actual currency was probably very seldom exchanged, and the method commonly followed in the majority of such transactions was to loan rice or some other product, taking as security the land and a share of the crop for the year. If for any reason the debt was not paid at the end of the year the amount of the indebtedness was doubled, and so on for each year, thus by compounding the debt the amount soon became so great that it would be impossible for the borrower to liquidate it, and the land was taken from him, and he must continue to work for the creditor. In this way a condition of practical slavery was established. I learn, however, that the poorer classes are gradually becoming better informed and are breaking away from this form of bondage.

When the actual currency is exchanged the rates of interest are very high, ranging from 20 per cent to 100 per cent per annum.

There is also another method of borrowing money that results in personal slavery. The parent getting the loan gives as security the person of a child of his, who is bonded to the maker of the loan, and must labor for its subsistence. A charge is made for clothing and for loss or breakage of any property of the creditor, for which it can be held responsible. At the end of the year the amount of the loan is increased by the addition of these charges, and if it is not paid the whole amount is doubled, and so on for each succeeding year, so that the debt has soon increased beyond the possibility of payment and the person bonded virtually becomes the property of the creditor.

It can hardly be possible that a people would fail to see the advantage of being able to borrow money at a fair rate of interest, secured by land over such a system as this.

ILOCOS SUR.

I have the honor to state that the demand for such an institution is very great, but the present business methods of the people being so very crude, it will take a long time and lots of hard work to educate them into up-to-date business methods.

At the present time a great many loans are being made on lands and crops, most of them on crops, as it is the custom when money is borrowed on land to deliver possession of the land until the loan is paid, and as the land owner loses the revenue from it during the time it is mortgaged, they think a long time before mortgaging it.

The rate of interest on loans made on crops ranges from 10 to 100 per cent, and are generally made on the following terms: A farmer desiring a little money goes to some one of the richer men of his municipality and sells a part of his crop, at a very low price, to be delivered when harvested. The prices paid in these cases are generally about 50 or 75 per cent of what the prices usually are at harvest time. The loans above described are generally for small amounts, ranging from \$10 to \$500.

The larger landowners borrow money from the banks and commercial companies in Manila at a fixed rate of interest, ranging from 10 to 25 per cent per annum, which they subloan to the smaller farmers on the terms above described.

There is a great demand for money in this province to be used in purchasing improved agricultural implements, machinery, etc., and for irrigation; but the sad part of it is the people are not aware of it.

One of the principal products of this province is "maguey" (a class of hemp). It is a plant that will grow on almost any kind of land, is of perpetual growth, and

requires very little cultivation. The cultivation of the plant has been made important by the great demand for fiber, and as the "maguey" is bringing a good price, the fact of its importance has been brought to the notice of the people.

There is a great deal of land in this province specially adapted to "maguey" owned by poor people, who do not cultivate it for lack of stock, implements, and seed.

The loans of a bank in this province would, owing to the fact that the land is cut up into small tracts, be for small amounts. That you may more thoroughly understand the necessity for small loans will furnish you the following information: This province has an area of 491 square miles, including Government lands. Assuming that the Government lands are one-third, or 163 square miles, this will leave 328 square miles owned by the people. This is divided into 80,000 pieces, according to the land-tax lists, which will make an average of 2.62 acres to each piece, and as land in this province will average in value about \$50 local currency per acre, each piece of land will average \$131 local currency. In many cases one man will own from 10 to 25 pieces, and there are other cases where you will find pieces of land containing from 100 to 300 acres. These figures are only estimates taken from the records of this province.

Finally, will state that the proposed bank would, in every respect, be of great benefit to the people, and, if properly brought to their notice, would, I am sure, be taken advantage of.

ISABELA.

I do not believe that there is at present any demand for or necessity on the part of the inhabitants of Isabela for such an institution. The existence of the large corporations doing business here proves that they do not need assistance. The small landholders are as a rule indolent and unambitious, preferring primitive methods by means of which they obtain a bare subsistence to anything in the way of improvements. If the people could be educated to appreciate modern ideas such an institution would benefit them greatly, but I see no hope for this for years to come.

So far as I can learn no loans are being made to agriculturists of Isabela (except by corporations and a very few native landowners) of importance to tenants on their haciendas, and these are only made in the form of supplies furnished during the year, for which the tobacco crop is a security. No specific rate of interest is charged for this kind of loan, but the privilege is reserved of buying all the tobacco of the tenant at such price as the landowner thinks it worth.

The possibilities of the Cagayan and its tributary valleys are great. Lands are abundant and fertile and yield a subsistence with little effort, but my opinion, formed from a year's observation of the natives, is that no attempt at material progress will be successful here until closer communication is established with Manila and the southern provinces of Luzon, from which an impetus for such would necessarily come in the shape of immigration and a demand for products which could not now be disposed of. Under present conditions loans would injure instead of help the natives.

LAGUNA.

Such an institution would be acceptable to the people of this province, provided the rate of interest was not too great. I am positive that a rate of 6 or 8 per cent could be paid and the owners of land be greatly benefited.

There prevails in this section a system of mortgage by which the owner of lands or cocoanut trees borrows money very near to actual value of property and turns over property to mortgagee, who in turn reaps all benefits accruing from products of land or trees. The almost universal custom is that after four years should the mortgagor desire to redeem property, he can do so by repayment of sum originally borrowed.

When money is loaned at interest there seems to be no fixed rate; 10 per cent seems the lowest rate.

A large sum could be used for improvements of land, purchase of implements, stock, etc. I consider a mortgage upon farm lands in this province first-class collateral. With proper implements and stock I know of no country which will yield greater returns. All products of this province are staple and find ready sale. Much hemp is being planted in some sections, as also many cocoanuts, and considerable building and repairs of homes.

It would aid greatly in the registration of property, which is greatly to be desired.

MINDORO.

It is almost universal in these islands that the poor farmer or "tao" each year has to turn over to some "diamond-ring hombre" about one-half or more of his crop, this in payment of obligations past or present. In nine cases out of ten said obligations are the loan of a few pesos.

Indirectly cases have come under my observation where the obligation was where the rich man has paid the land tax for the poor man, and because the poor chap did not have a few pesos of ready money he had to pay eventually in some form or other many times the original amount of the tax.

If the bank can be so established as to help the poor, it will solve to a great extent the school question, because at the present time hundreds of children of the poor are servants in the houses of the rich by virtue of obligations incurred by their parents. It is my belief, based on a wide knowledge of the tao class and a long experience with unscrupulous higher class, that a bank in Manila will never accomplish the purpose, but I believe if a plan can be devised which will give each province a bank or suboffice, it would reach the poor as well as the rich.

I have long held that some form of banking institution is needed in each province, and the necessity is constantly growing.

I am many times each month requested to accept small deposits and to change money, etc., which of course I can not do. Therefore I hope it will not be taken amiss if I respectfully suggest that the bank should have some of the features of a savings bank.

Loans are being made in this province with interest ranging from 10 to 30 per cent, with a custombre compound. There is a demand for money in this province for agricultural purposes, especially the purchase of animals, machinery, and for the building of dikes; but it is the poor people that need this money, and if it could be loaned to them directly, I firmly believe the result would be entirely satisfactory to the bank and beneficial to the people in the province.

MISAMIS.

At times money can be borrowed here in small amounts on real estate by paying from 8 to 12 per cent interest annually. Recently I visited the several towns of the province with the board of tax revision and had an excellent opportunity of learning the agricultural conditions. With the exception of hemp lands, these conditions are as bad as can be imagined. Practically all of the rice, corn, and sugar lands in the province that were formerly cultivated, more than three-fourths of the total taxable lands, are now lying idle. The board of tax revision inquired closely as to the cause of this, and the answer from all parts was to the effect that nearly all of the carabao were dead and that it was impossible to cultivate their land. The landowners are "land poor," and the condition of the poorer people outside of the hemp districts is fast becoming pitiable. For some time past they have been sustaining life on camotes (sweet potatoes), bananas, the pith of palm trees, and roots of certain plants. I heard of people dying from starvation, and from personal observation I believe the stories to be true. In the town of Jimenez, which has a population of about 8,000 souls, the death register shows a list of deaths for 1902 of over 1,000, and this was before cholera made its appearance there. This is an extreme case. Under normal conditions this town should be one of the most prosperous in the province. Unless the people receive help in the way of carabao and seed, I believe they will go from bad to worse. I believe that nearly all the owners of rice and corn land would be glad of an opportunity to buy carabao. This would give the poorer people work and conditions would soon be normal. As to irrigation and the purchase of modern farming implements, I believe the people generally would be timid about investing in them until some one had established their practicability. The establishment of such a bank as you mention would certainly be received as a godsend by the people of Misamis Province.

ROMBLON

The lower classes, whom such an institution should most benefit, have no desire, and are morally unprepared, for responsibility or obligation. No loans of any sort can be learned of; the indications are, and it is believed, there are none.

There is no demand for or need of money to develop land or buy implements, and there will be no need of it until years of example, training, and experience in the use and value of tools, implements, and machinery inspire larger operations than now exist.

The people in this province have ample capital and cattle and improvised implements to work and develop their land now under cultivation. Except to loan money for roads to the municipalities, an agricultural or any other sort of a bank would be premature so far as it would help Romblon.

The majority of those who might borrow would scarcely prove good stewards. An unfortunate characteristic of the Filipino is to move rather than pay rent; he conscientiously leaves debt behind him. A fair mortgage would be construed as a profitable sale in many instances. While his trusting creditors speculated upon his crop prospects and ability to repay, how he could most enjoy their easy money would be his chief concern. In higher races than the Filipino prosperous small and large farm owners have been reduced to day laborers or renters because either of disinclination or misappropriation, which were conducted by their ability to borrow. Of intense susceptibility, the Filipino gets money not for money's sake or future needs, but to procure at once what pleases his eye. He might honestly borrow money to buy plows, yet yield to slight temptation to spend it otherwise, possibly for guns and ammunition to use against his creditors. It is believed an ability to borrow would now affect the Filipino perniciously.

It would lessen the chance and inducement to misappropriate, and more nearly conserve the beneficent intentions of the government to loan, not money, but the actual tools, implements, or material which money might be loaned to buy. Thus the object in view would be reached sooner and with less complication and temptation.

The impetus to progress and enlargement which is afforded by credit will be opportune to the Filipino, not now, in his state of demoralization and ignorance, but many years hence, when he has become able, confident, thrifty, and conservative.

ORIENTAL NEGROS.

I have the honor to state that many of the farmers have already placed loans upon their farms and the crops for the coming year, in order to obtain money for the planting in May and June. The interest paid ranges from 10 to 25 per cent. The money is generally obtained in Iloilo and Cebu.

I have personal knowledge of the great desire of the people for some form of legitimate banking by which money could be obtained at a reasonable rate of interest.

Ours is purely an agricultural people.

There is a demand for \$1,000,000 local currency on the part of the farmers, and this will increase, along the lines of the purchase of improved farm implements and erection of large sugar mills, whose owners will be manufacturers and where the farmers can sell their crops, whether large or small, and be relieved from the necessity of manufacturing the crop into sugar. In addition to this there will be a large increase in the acreage brought into cultivation.

The pacific condition in this province and the loyalty of the people to American supremacy insure protection for the investment of capital. I have spent the last two months in visiting 21 out of the 24 municipalities, and spent much time in the discussion of the obtaining of money by the farmers, and base my opinion on the result of personal observation and the opinion of the best men of the province.

PAMPANGA.

I have the honor to state that in this province it is my opinion that such a bank properly conducted would be of incalculable benefit to the poor farmers, who, through the ravages of war, rinderpest, locusts, and drought in 1902 have become impoverished.

On the part of the government it seems to me that the greatest thing it will have to contend with will be the question of securing satisfactory security.

I take it for granted that it will desire in every case a mortgage or lien on the land of the borrower.

To insure the government against loss this will necessitate the borrower proving his title, which, if we take the United States as a standard, can not be done in 95 per cent of the cases without recourse to the land court. The people who will desire to avail themselves of this privilege are not in a condition, financially, to pay even the slight fee necessary to have their titles perfected in that court.

From the standpoint of the people I can see nothing but what could be of the greatest advantage to them.

Probably the greater part of the agricultural interests of the islands are not directly in the hands of the real owners of the lands. What is known as the "share system" in the States is in vogue here almost universally.

The tenant in some cases takes a piece of land and agrees to pay for each balita, if it is rice land, a specified number of cavanos of palay, or, if it is sugar land, so many pilons of sugar, regardless of the crop that may be raised. In some few other cases

a certain proportion of the crop is paid, which, of course, when crops fluctuate, is a more equitable arrangement.

The specific amount paid or the proportion depends altogether on the assistance rendered the tenant in addition to the use of the land.

In some cases the tenant furnishes all the labor and the owner everything else, including seed rice, caribao, implements, etc. In other cases the owner furnishes the land and the tenant everything else. Between these two gradations are infinite others. I might say, however, parenthetically, that in no case does the tenant have a fair show. Then, there is another system which consists in loaning money outright on gilt-edged security at from 25 to 40 per cent per annum.

This is the system where the tenant, being possessed of nothing but a small tract of land, must seek help from some of the wealthier people to cultivate it. He is advanced sufficient seed rice for planting and furnished money or its equivalent for such other expenses as are necessary. In every case of this kind the rent or toll is not contingent but specific.

If the season is bad the crop raised may be only sufficient to pay the debt due the owner and, consequently, the tenant is practically in bondage, as he must borrow enough rice to tide him over to the next season. If it should happen that the crop was a failure, then he is in debt to the loaner, who has a mortgage or lien on his land for money advanced which he can foreclose at any time.

Frequently the loaner does not foreclose, but holds a sort of a club over the heads of the tenants, who are practically in slavery.

In general, I should say that the average small tenant, either cultivating his own land with assistance or cultivating another's land on shares, gets in addition to his board and lodging (which consists of rice and a nipa hut) about 10 per cent of the crop for his labor.

One man with the antiquated methods now in use can probably cultivate 3 balitas of rice land, averaging 25 cavanese to the balita and worth approximately 1 peso a cavan. It will thus be seen that his wages exclusive of food and lodging are ridiculous.

The tendency of the present system is toward larger holdings, the wealthy becoming wealthier and the poor poorer. The debts of the poor increase from year to year, and with no chance to pay them their lands are gradually taken from them.

I see no reason why, if these small holders can be judiciously assisted, they could not in time become independent and eventually prosperous, and prosperity in even a small degree would bring contentment to this class who constitute a very large part of the whole population.

PANGASINAN.

There is no question but that such an institution, established in this province, would be of the utmost benefit to the farmer, if small loans be made. Land holdings are of small areas in Pangasinan, but the people require more capital in order to improve their farms, place total areas under cultivation, purchase more stock, construct irrigating ditches and purchase modern farming implements; such an institution would meet this urgent need and, if conservatively and carefully managed, would itself be a money maker.

The institution you refer to would afford an opportunity for landowners to borrow the capital. I believe this province, with the benefits of such an institution as a bank that would make reasonably long-time loans on real estate, would or easily could furnish the rice, corn, coffee, indigo, alcohol, and many other products for the entire island of Luzon.

RIZAL.

After obtaining the views of many of the principal landowners of this province, I have come to the conclusion that the establishment of such an institution as mentioned in your letter will be of immense value not only to the individual landowner, but also to the province and the public in general. There are in this province large tracts of good agricultural land at present uncultivated on account of lack of funds. If the necessary funds could be obtained, laborers and animals could be procured, a system of artificial irrigation inaugurated, and the soil be made useful to all concerned. Recent developments show that an abundance of good water can be obtained by means of artesian wells. In fact, it is the belief of the undersigned that the only way of again placing this province on a good financial basis is to advance to the landowners, at a reasonable rate of interest, funds with which to develop their holdings. Most people of this province seem very poor, not having recovered as yet from the losses inflicted by the war, rinderpest, locusts, and various other calamities.

All my informants claim that at present loans on land can only be obtained from private parties in Manila at an enormous rate of interest, as high as 30 to 35 per cent having been paid. Further, that all landowners would gladly avail themselves of an opportunity to borrow money for the purpose of improving their holdings.

SAMAR.

There is no direct information that I can give you. There seems to be no agricultural activity at present, and no loans are being made upon lands in the province; but I feel very confident, from my intercourse with the people, that such an institution would be welcomed and would prove to be of incalculable benefit to the province. The lethargy in agricultural lines is almost entirely owing to the paralyzing result of the war, which has been over less than a year, and I believe that if the government were to father such a project the people would borrow from it, in substantial amounts, for the purpose of replenishing their farms with carabao, implements, etc.

SURIGAO.

I do not favor the establishment of an agricultural bank, as far as this province is concerned, for the purpose stated.

The tendency would be to fritter away such loans for other purposes, leaving them in a worse condition than before. What they need is encouragement to use facilities they already possess and compelling force to lift them out of the idea that they can get along without work.

TARLAC.

The general opinion is that such an institution would be the salvation of the farmers not only in this province, but in nearly all of the provinces; but under strict regulations to prevent the abuse of this privilege, such as lending it out again at a higher rate of interest, and using it for other purposes than what it is intended for.

At present there are very few persons in this province who lend money, and then only on the very best titles, at from 12 per cent and upward per year. When loaned on the crop the general rate is a cavan of palay for every dollar loaned, or almost 50 per cent, as when the wet season arrives the palay is sold back to the borrower at from \$1.50 to \$1.75 per cavan.

At the present time there is a great need of something of this sort, as with the loss of the carabao, the locusts, and other calamities the agriculture of the province is in a very bad shape, and unless something is done to aid the people I am afraid that there will be a great deal of suffering before long.

I understand that it is the intention of the government to import carabao to be sold to the farmers at a low rate, but as the conditions are at present I do not think it will be possible for many of them to improve the opportunity, as a big majority of the owners are entirely without funds. Several of the towns already have asked for aid in the shape of seed.

I think that such a bank loaning money at a low rate of interest, say from 6 per cent to 8 per cent per annum, would work a great benefit, and would be the means of driving out of the market the people who are loaning money at such a high rate of interest, and in this way save the small farmer, as there are several cases, or rather a great many, who have lost all their property on account of the rent of the farm having to go to pay the interest on the loan, and then having to borrow more money to live on for the rest of the year.

The great difficulty will be that a very high per cent of the borrowers will gamble away their money. If this can be regulated by making such an act criminal, then I am very greatly in favor of such an institution.

TAYABAS.

There is no question but what a government agricultural bank along the lines you described would be of great benefit to the people of this province.

In Tayabas Province there are a large number of small land owners, and considerable money is borrowed by them on their land each year, the minimum rate of interest being 24 per cent, usually computed at 2 per cent monthly. Many are paying as high as 36 per cent. All the people with whom I have conferred are eager and enthusiastic on the subject. There is no question in my mind but your idea is a grand one and would work an incalculable amount of good throughout the archipelago.

ZAMBALES.

The financial problem for Zambales is a serious one, and unless some measure for relief is taken by the Commission or the insular government the provincial government will have to depend on the insular government for its support.

The people are poor, having no money to improve their lands, consequently less money in the provincial treasury for taxes, etc., for it is impossible to collect taxes and increase the revenues when the people themselves have no money. Therefore I think that if the Commission will establish a government agricultural bank it will not only help the people to improve their property, but will make them contented with the government and above all will bring industries, etc., into the province and increase the revenues for the provincial treasury.

Unless some cheaper means of registration of property is made there will be a difficulty in having a clear title to property on which money is loaned, as the natives here have not responded to the notices sent out about registering their property. They claim that there is no use in registering property when they have no money and carabao to work with, especially when it entails so much expense, the majority of them having small holdings.

However, I think that time will do away with this difficulty when they begin to realize the advantages derived from registering their property and having a government recognition of the same.

Again, property here is cheap, and a man would have to have a great deal of land in order to secure a loan from the government, thus benefiting the rich without helping the poorer class. In answer to this, time would make a remedy, because if they can get money to work their land it will eventually increase in value, thus allowing greater improvements in the years to come.

Taking everything into consideration, I am of the opinion that it would ultimately be a success for the people, for this province, and for the bank itself.

SCHEDULE IV.

STATEMENT SHOWING—

A. Agricultural land registered in each of the provinces under the Philippine land registration act.

B. Agricultural land in each of the provinces applications for the registration of which are pending.

(This schedule is being prepared by the court of land registration and will be submitted later.)

EXHIBIT C.

THE AGRICULTURAL BANK OF EGYPT.

SCHEDULES.

- I. Extracts from Lord Cromer's reports.
- II. Concession of Egyptian government.
- III. Statutes of bank.
- IV. Bank's plan of operation.
- V. Instructions to borrowers.
- VI. Forms used by bank.

SCHEDULE I.

EXTRACTS FROM THE ANNUAL REPORTS OF LORD CROMER WITH REFERENCE TO LAND AND AGRICULTURAL CREDIT IN EGYPT.

INDEBTEDNESS OF FELLAHEEN.

Report on the year 1898.

In my reports for the years 1895 and 1896 I explained that, as an experimental measure, the government at one time advanced £10,000 in small sums to the fellaheen. The experiment proved sufficiently successful to afford encouragement for private enterprise to enter this field of action. The Egyptian credit foncier consented to lower the minimum amount of its advances to £100. Inasmuch, however, as the advances made by village money lenders are generally in small sums of less than £10, it was evident that the limit of £100 was still too high to reach the majority of those whom it was desirable to relieve.

A further tentative step has now been taken in the direction of dealing with this question. The newly created national bank is about to make advances of small sums up to £20 at 9 per cent interest. Further, the bank offers advances up to £100 at the same rate of interest to those who wish to pay off their old debts; repayment to the bank will be made in five yearly installments due in October of each year; that is to say, at the time the cotton crop is gathered. All such advances will be reported to the government, who will instruct the tax collectors to enter them on the "wirdes" and effect the recoveries with the taxes. The "wirde" is the schedule in the possession of each landowner, setting forth the amounts due for land tax and the dates at which payments should be made.

The 9 per cent interest will be distributed as follows: $1\frac{1}{2}$ per cent will be paid to the local agent of the bank; $\frac{1}{2}$ per cent will go to the tax collectors; the remaining 7 per cent will be retained by the bank, which will be put to some expense, notably in the direction of appointing a thorough trustworthy European inspector, who will visit the villages and control the action of the local agents. The services of an official of this description are indispensable.

The experiment will, for the present, be tried in one district only. Should it prove successful, the bank will be prepared to extend its operations.

As the fellaheen at present habitually borrow money at exorbitant rates of interest—sometimes as high as 40 per cent and even higher—it is probable that advantage will be taken of the terms now offered. But I must repeat what I have said before on this subject, viz, that the measures now in course of execution must still be regarded as wholly experimental. The relations between the money lenders and the cultivating classes, which are very similar in character in all backward agricultural countries, constitute an economic problem of extreme difficulty. I am not aware

that anywhere a thoroughly satisfactory solution of this problem has been found. It is, in fact, impossible to feel sanguine of the success of any protective measures devised with the object of safeguarding the poorest class of cultivators against the consequences of their improvidence. In the present instance, all that is possible is to give the cultivator a fair chance of escaping from his financial embarrassments; but no measures devised by the government can prevent his incurring fresh pecuniary obligations of a nature to frustrate the intention of the scheme now contemplated on his behalf. I am well aware of the force of these arguments. They do not constitute a sufficient reason for total inaction, but they enjoin watchfulness, with a view to deciding by the light of the practical experience which will eventually be gained, whether it will or will not be desirable to continue the experiment now in course of progress.

Report on the year 1899.

* * * It was never intended that the government should embark seriously on a field of enterprise which can more suitably be left to private individuals and institutions.

The experiment, however, was sufficient to show both that the fellaheen would willingly avail themselves of whatever facilities could be offered for borrowing at a low rate of interest and the practical difficulties in the way of recovering interest and principal on a number of small loans, though considerable, were not insurmountable.

The next step taken was to induce the Egyptian credit foncier to lower the minimum amount of its advances to £100. This measure was practically unproductive of result, the minimum being still too high to meet the requirements of the mass of the borrowing classes.

The establishment of a national bank in 1898 enabled a further experiment to be made under circumstances which were more favorable to success. Indeed, one of the main reasons, which induced the government to assent to the creation of this bank, was a desire to facilitate the treatment of the question now under discussion.

Belbeis district, in lower Egypt, was chosen as the field of operations. This district consists of 68 villages. In 18 of these the land is held by large proprietors. During the spring and early summer of 1899, 1,880 advances, amounting in all to £4,780 were made by the bank in the 50 villages, where the land is held in small lots. These loans were all repayable in the autumn. The result, I am informed by Sir Elwin Palmer, the governor of the bank, "has been thoroughly satisfactory; the whole of the money due in the year was collected by the government tax collectors."

I should explain that the debts of the fellaheen may be divided into two distinct categories. In the first place, it is a very general practice among the Egyptian cultivators to borrow small sums in the early part of the year and to repay the loan and the interest in the autumn, after the cotton has been sold. In the second place, loans larger in amounts and of longer duration are, for various reasons, contracted.

It was obvious that very little would be done to relieve the population generally if the bank confined its operations solely to the first of these two categories. It is the second class of loans which is most onerous to the population generally, for the rate of interest usually charged by the village money lenders is so high that the cultivator, having once borrowed money, but too frequently finds himself involved in inextricable difficulties as the result of a loan which may originally have been for no very considerable amount of money.

Guided by these considerations the bank consented to make 870 loans, amounting in the aggregate to £26,720 and repayable in five yearly installments, to the cultivators of the Belbeis district. In all these cases the money was advanced to persons who were already indebted, and who were thus enabled to effect a commutation of their debts on favorable terms.

It is probable that the business has not so far proved sufficiently remunerative to the bank to compensate for the very considerable amount of trouble and expense involved in dealing with a number of these petty transactions. This, however, is due partly to the fact that the operations have so far been conducted on a small scale. The expenses, which are considerable, owing to the absolute necessity of employing trustworthy and competent supervising agency, will of course proportionately decrease as the operations extend.

It was felt, however, that no permanent success could be obtained unless the philanthropic considerations which cluster round the treatment of this subject were so far discarded as to place the matter on a sound commercial basis, and thus insure to the bank an adequate remuneration for their capital outlay. The government therefore consented to allow the bank, in addition to 9 per cent, which is the highest rate of interest allowed by law, to charge a commission of 1 per cent, which will go to their local agents in the villages. I need hardly say that the provisions of this law are

habitually evaded by the money lenders and their clients. It is estimated that of the 9 per cent which will be received by the bank about 3 per cent will go in expenses, leaving a net profit of 6 per cent, from which, however, any loss incurred by bad debts will have to be deducted.

This arrangement, I hope and believe, is of a nature to interest the bank in the extension of the scheme. In fact, the bank has now consented to extend its operations to three more districts, viz, Minet El-Kemh, Mit-Gamit, and Zifta. One hundred thousand pounds sterling will be advanced in these districts, of which £25,000 will be devoted to loans repayable within the year. The balance of £75,000 will be lent on mortgage, the loans being repayable in five yearly installments.

The popularity of the measures recently taken in the Belbeis district is sufficiently shown by the numerous requests which have been received by the bank from persons residing in districts which have so far not been comprised within the sphere of operations.

I must, however, repeat that warning which I have given on previous occasions when dealing with this subject. The project is still in an experimental stage. Its ultimate success, considered in the light of a possible solution of a very important and difficult economic problem, depends on whether the majority of the cultivating classes, having once been relieved from any very onerous debts which they may have contracted, will or will not use the comparative financial freedom thus acquired to plunge again into operations from which it will be extremely difficult, if not altogether impossible, to extricate them. I should mention that in the Belbeis district, where the experiment has been tried, some applications have been made by cultivators whose credit was already so deeply pledged as to render it impossible to apply any remedial measures. But whenever the security was sufficiently intact to justify the loan money has been advanced.

It would be premature at present to express any confident opinion on this point. Such little evidence as is forthcoming, however, rather points to the conclusion that it is erroneous to suppose that the Egyptian fellah will almost invariably incur debt up to the maximum amount of his credit. I do not doubt that a certain number of cultivators, after having committed debts on which they are perhaps paying interest at the rate of 40 per cent or even more, into one of which they will pay 10 per cent, will use the margin of income thus rendered available in order to contract further debt; but I contend that the present scheme may be considered a success if the number of individuals who adopt this ruinous procedure constitute the exceptions rather than the rule.

Much, indeed, has frequently been written and said about the inveterate improvidence of the fellaheen population; much, also, on the impossibility of saving one, by legislative or administrative measures, from the consequences of his own folly. I am not prepared to deny that there is much truth in the objections which, on these general grounds, have occasionally been urged against the measures now under discussion. The other side of the question is that, until of recent years, the system of government prevalent in Egypt was certainly not of a nature to encourage thrift. Time will assuredly be required to win the Egyptian population from habits acquired during the long period when but little respect was shown for the rights of property and when the demands of the tax gatherers were not merely excessive but also uncertain and capricious. But anyone who has seen much of the fellaheen population can bear testimony to the fact that they are a very hard working and industrious race, who are keenly alive to such matters affecting their own interests as they clearly understand.

I know of no reason for holding that, as a class, they are irretrievably thriftless. In any case no harm can be done by affording them a fair opportunity for shaking themselves free of debts by which they are but too often burthened, and thus giving them a starting point for the exercise of economy in the future. Without, therefore, taking a more sanguine view than would be justified by the present facts of the situation, it is permissible to hope that the arrangements now made will be productive of some real benefit to the mass of cultivators in Egypt.

Should the operations conducted during the present year afford sufficient encouragement in that direction it is to be hoped that the sphere of petty loan operations will be gradually extended. In that case the sums advanced will be looked up and it will be necessary for the national bank to increase its capital.

Report on the year 1900.

In several previous reports I have alluded to the steps which have of late years been taken to permit of the Egyptian fellaheen borrowing money on reasonable terms. The experiment appears to have excited a certain amount of interest outside

of Egypt. It has been discussed in the European press, and I have received inquiries as to the working of the Egyptian system from such opposite quarters as New Zealand and Bosnia.

At the risk of repeating much that I have said on former occasions it may be desirable that I should explain the main features of the Egyptian system.

There are, broadly speaking, two methods of dealing with this problem, which, in spite of local differences, presents much the same features in all countries where a backward agricultural population is brought in contact with these modern principles on which the relations between debtor and creditor are based in all civilized countries. The first is to protect the cultivator from the possible consequences of his own improvidence, ignorance, or carelessness by protective legislation, which is devised so that, in one form or another, his freedom of contract is curtailed.

The other is to dispense with all legislation of a protective character and to seek for a solution by giving to the cultivators facilities for borrowing at reasonable rates, and thus both affording an opportunity to those who are already embarrassed of shaking themselves free from the grip of the usurer and at the same time providing a means to those who have so far escaped financial embarrassments of maintaining themselves in a position of solvency.

I need not here discuss the merits and demerits of these two methods. It will be sufficient for my present purposes if I state that the second has been adopted in Egypt in preference to the first method.

There is nothing novel in the principle. Land banks have for a long time past existed in many countries. Such an institution, under the name of the "Credit Foncier Egyptian," was established some years ago at Cairo. I have explained in my previous reports that this institution, though in many respects of great utility, did not aid in the solution of the special problem now under discussion, the reason being that the minimum advance made by the "Credit Foncier" was £100, a sum in excess of the loans usually contracted by the Egyptian peasantry.

It is in the detailed application of the principle that, so far as my knowledge of the subject enables me to judge, the Egyptian system possesses some novelty. I need hardly add that in a matter of this sort the details are of great importance.

Money may be advanced to the cultivators either by the government or by a private bank.

The objections to purely government action in Egypt are twofold. In the first place, the government could not without much inconvenience have provided the necessary capital. In the second place, the officials of the government have not the time to go among the villagers and seek out those who are in want of loans. Even if they had the necessary time at their disposal, it is not altogether desirable that they should be employed on work of this sort. Further, they have no personal pecuniary interest in the matter. When it has been publicly notified that on application to some government authority at a certain time and place small loans may be obtained on certain conditions, the government officials, naturally enough, think that they have done all that is required of them. In Egypt a measure of this sort would not suffice to wean the cultivators from their long-established habits. They would continue to resort to the usurer and to borrow money at perhaps 40 per cent, although a notice might be posted in the village informing them that by walking a few miles they could on certain conditions—which they would often fail to understand—borrow at 10 per cent. What was required was that some trustworthy agents should seek out clients and explain to a large number individually the advantages of the plan offered for their acceptance. The Egyptian Government did, indeed, act as a pioneer in this matter.

In 1896 it advanced a sum of £10,000, confining its operations to a small cluster of villages. But although the experiment proved successful in so far as the recovery of the money was concerned, enough was learned to show that if the scale of operations was to be extended, resort must be made to private enterprise.

On the other hand, the employment of private enterprise is not without its special disadvantages. The main obstacle, which stood in the way of its employment in Egypt, was that no bank possessed the administrative agency necessary to insure the punctual collection of the interest and capital due on a very large number of petty loan operations. Neither, under the circumstances, could the agency have been created. It was clear at a glance that any attempt to create it would be so costly as to render it necessary to charge a very high rate of interest in order to cover the expenses and leave a fair margin of profit to the bank. Thus the main object of the scheme would have been frustrated.

Under these circumstances an endeavor was made to devise a plan which would combine the advantages and obviate the disadvantages of the two systems. This was done in the following manner: The bank incurs the whole financial responsi-

bility of the undertaking. It takes all the profits and bears all the losses. The Government has no pecuniary interest in the operations. The bank, also, through its own agents, does all the work of lending. In every district in which operations are undertaken an agent is appointed who receives a commission of 1 per cent per annum on any loan that he may make. These agents are placed under the general supervision of one English inspector, Mr. Scott Dalgleish. Owing to the extension of the operations, a second English inspector has quite recently been appointed. I wish to draw particular attention to this latter detail, as it is an essential part of the scheme. The success which has unquestionably been attained is mainly due to the fact that Mr. Scott Dalgleish constantly visits the villages where operations have been undertaken. He speaks Arabic well and thoroughly understands the habits and customs of the people. He is thus able to control the local agents, both in the interests of the bank and of the borrowers, and he is able to explain verbally to the latter the precise nature of the transactions in which they are engaging.

It is only when the stage of repayment is reached that the government steps in. The taxgatherers collect the money due to the bank at the same time as the land tax. Thus the bank is relieved of all expenses of collections.

Money is advanced at the rate of 10 per cent, of which, as I have already mentioned, 1 per cent goes to the local agents in the form of commission. Of the remaining 9 per cent, it is estimated that about 3 per cent goes in covering the expenses of the bank, thus leaving a net profit of 6 per cent, from which, however, bad debts have to be deducted.

Such is the plan. I have now to state the nature of the results which have been so far attained.

In 1899 operations were undertaken in only one district—that of Belbeis. Two thousand four hundred and fifty advances, amounting in all to £31,500, were made.

In 1900 the bank extended its operations to ten districts. Quite recently a further extension has taken place. The whole of lower Egypt is now comprised in the sphere of operations. In 1900, 9,500 advances, amounting to £137,781, were made. Of these, 6,213, amounting to an aggregate of £36,216, were loans repayable within the year. The remaining 3,287 advances, amounting in all to £101,565, were repayable in five years. In all the latter cases the loans were made to persons already indebted, their old debts, on which very high rates of interest were charged, being paid off by the bank. The amount that fell due in 1900 was £28,120, due from no less than 5,035 borrowers. It is with very special pleasure that I am able to record that the whole of this sum was recovered.

The bank is now prepared to advance money in small loans up to a maximum amount of £250,000. To go further than this will require an increase of capital. I trust that eventually the conditions of the money market will permit of the capital of the bank being increased.

Sir Elwin Palmer, the governor of the national bank, who has taken a very special interest in this matter, writes to me as follows: "The experiment so far has undoubtedly been a success, and the relief afforded to some thousands of fellaheen must have been considerable. The fact that the bank is prepared to advance small sums at a fair sum of interest has, in the districts where the bank is working, caused a fall in the rate usually charged by the money lenders, and the fellaheen have indirectly benefited in this way too. In one district the largest money lender left when the bank began operations. In another, the bank was regularly boycotted, and it was impossible to find an agent among the people of the district of any standing, they being nearly all money lenders themselves. An outsider had therefore to be appointed. He had great difficulties at first, but the people of the district now begin to realize the advantages, and are dealing with the bank."

I stated last year that I considered the scheme as an experiment. I am still of the same opinion. Some long time must, in fact, yet elapse before it can be considered as having passed out of the experimental stage. Manifestly, the main danger is that the cultivators, being once free from crushing debt, will use the margin of income they thus obtain in incurring fresh debt. That some of them will adopt this procedure is highly probable; that the majority will fall in the same error is very far from being certain. Any opinion on this subject at present can be little more than a matter of conjecture. Lengthened experience alone can show whether, now that the taxes are no longer arbitrary and capricious and the rights of property are in fact as well as in name secured by law, the fellaheen of Egypt will abandon the habits of extravagance of which they have so often been accused and develop national habits of thrift. I can only speak of my personal opinion, formed after long residence in this country. It is that, under favorable conditions for the exercise of economy, the Egyptian peasant will probably prove more thrifty than the English, though less so than the French member of a corresponding class of society. I am encouraged in

this belief by the following remarks, which have been addressed to me by Sir Elwin Palmer: "There is," he says, "nothing to indicate that the fellaheen, once relieved of their onerous debt to the money lenders, are inclined to plunge again into debt—beyond the debt of the bank. Indeed, the facility with which the recovery of the loans or installments has been affected would seem to show that this is not the case."

However this may be, it is abundantly clear that the experiment, which is one of great interest and importance, is well worthy of a further and prolonged trial.

Before leaving this subject I wish to make a few remarks which may be interesting, both because they are illustrative of the practices of the village usurers and because they may serve to explain the advantages of the conditions now offered to the villagers by the bank.

I have occasionally heard it stated that 10 per cent is too high a rate of interest to charge, as the fellaheen can often obtain loans at that rate from the local money lenders.

I have already explained that, in order that these operations should be properly conducted, it is necessary to employ a somewhat expensive agency. I am convinced that there could be no greater mistake than to employ very cheap, and therefore untrustworthy, agents. I do not think that 6 per cent, including bad debts, can be held to be more than a reasonable profit for the bank. Moreover, I greatly doubt whether the fellaheen would confirm the statement that they can without the assistance of the bank obtain money. Loans made nominally at 10 per cent generally involve paying in reality interest at a far higher rate, the reason being that throughout the currency of the loan full interest is charged on the total sum originally advanced. No allowance is made for a reduction of interest on account of the annual repayments of portion of the capital. I give an illustration of the two proceedings, viz, that adopted by the bank, and that very commonly adopted by the usurers. Suppose the bank to advance £100 for five years at 10 per cent. The installments due to the bank would be as follows:

	Capital.	Interest.	Total.
First year.....	£20	£10	£30
Second year.....	20	8	28
Third year.....	20	6	26
Fourth year.....	20	4	24
Fifth year.....	20	2	22
Total.....	100	30	130

The borrower would thus, in the course of 5 years, pay £30 for the use of the money advanced to him.

Under the alternative procedure he would pay five equal installments of £30, making in all £150, of which £50 would be on account of interest.

In point of fact, to the fellaheen the bank's charge of £30 is equivalent to a loan contracted from the usurer of 6 per cent, and I do not think that money is ever obtained at so low a rate as this.

The contracts with the usurers not infrequently render it difficult for the fellah, who is already indebted, to take advantage of the terms now offered by the bank. A common form of contract is that of a loan of £100 for ten years. The yearly installment for repayment of capital and interest is £20. Then, under the procedure I have explained above, in all £200 is paid in ten years. Supposing that in the course of two years a fellah has paid £40, of which one-half would be interest and one-half repayment of capital. It might be supposed that on payment of £80 he would be free from the debt. But such is not at all the case. Under the terms of the original contract he is often debarred from freeing himself unless he pays the difference between £200, the total amount which would have been paid in ten years, and £40, being the sum he has already paid. In other words, in order to liberate himself he has to pay £160, minus discount at the rate of 7 per cent on £160. In cases of this sort the bank can be of but little assistance.

Report on the year 1901.

I have explained in my previous reports that the distinctive feature of the Egyptian plan for dealing with this interesting and important subject is that a certain amount of cooperation is established between the government and the National Bank. The bank makes the advances and incurs the whole financial responsibility

of the undertaking. The government, through the agency of its taxgatherers, collects the money due to the bank at the same time as the land tax. Thus, the bank, being relieved of the necessity of maintaining an expensive staff of subordinates, is able to advance money to the peasantry at a relatively low rate of interest.

From October, 1900, to September, 1901, 18,191 advances, amounting altogether to £276,100, were made. Of these 13,030, amounting to an aggregate of £78,400, were loans repayable within the year. The remaining 5,161 advances, amounting in all to £197,700, were loans repayable in five years. Of the 13,030 loans repayable within the year more than half, viz, 7,427, were for sums below £5. The total number of advances below £10 was 10,116. Of the 5,161 loans repayable in five years more than half, 2,604, were for sums not exceeding £20. These figures clearly show that the main object of the scheme has been attained—assistance has been given to small proprietors.

Since the bank commenced making these loans in 1899, over 34,000 loans have been contracted. Relief has, therefore, been afforded to an equivalent number of small proprietors. There are now 15,269 loans outstanding for an aggregate amount of £402,000; of these 3,326 are repayable within the year, and 11,943 repayable in five years.

The amount that fell due in 1901 was £146,000. This sum was due from over 21,000 borrowers. The whole amount with the exception of £600 had been recovered on the 31st of December last, and the small sum still owing will probably be collected this year.

The objection to the plan adopted in Egypt is that the class of operation involved is more properly the work of a land bank than of an ordinary bank. The National Bank of Egypt can not reasonably be expected to lock up more than £400,000 of its capital in an undertaking of this nature. For the moment the difficulty has been met by the government advancing £250,000 to the bank. This will, at all events, enable the operations to continue for the time being. Whether any more complete change of system will be necessary must be a matter for subsequent consideration. There can, I venture to think, be no question of abandoning the experiment which had so far proved eminently successful. There can be no doubt that the Egyptian fellaheen begin to realize the advantages of getting money at a moderate rate of interest, and that they are willing to take the opportunity now offered to them of shaking themselves free from the grip of the village usurers. From all I hear I do not doubt that it would be quite possible, were the capital available, to extend very considerably the operations of the bank. But in a matter of this sort it is as well to move slowly, more especially as careful supervision is an essential element to the attainment of the object in view. I think, therefore, that for the time being it is not necessary to arrange for any more extended operations than those which may be covered by the additional £250,000 which the government had advanced to the bank.

I have in previous reports mentioned that the relation of success which should eventually be applied to the experiment which has now been going on for three years, is whether the fellaheen will or will not use the advantages offered them to incur fresh debts. Moreover, sufficient time has not elapsed to enable the experiment to have a fair trial. So far, however, as I have been able to judge the alleged irremediable extravagance of the fellaheen has, as I anticipated would be the case, been greatly exaggerated. Up to the present time the number of these who have used their improved credit in order to incur fresh debt has, to the best of my belief, been very small.

Report on the year 1902.

I mentioned in my last annual report that the National Bank of Egypt had advanced about £400,000 in small sums to the fellaheen, and that the directors could not reasonably be expected to lock up a still larger amount of capital in an undertaking of this nature. At the time I wrote, further demands for loans were coming in. The difficulty was temporarily met by the government advancing £250,000 to the bank. It was evident, however, that the class of operations involved in making these small loans fell more properly within the functions of a land bank than within those of an ordinary bank. Moreover, after a prolonged trial, it appeared that the somewhat novel system adopted in Egypt some few years ago had passed out of the experimental stage, and that the institution of a scheme of a more permanent character than that heretofore adopted was justifiable.

Negotiations having this object in view were set on foot, with the result that on June 1, 1902, an agricultural bank was started under the auspices of the National Bank of Egypt. All loans outstanding with the national bank were transferred to the new bank whose sole business it is to lend money to the fellaheen. The capital of the bank was fixed at £2,500,000, of which half has already been paid up. Interest

at the rate of 3 per cent is guaranteed by the government. It was at the same time arranged that the rate of interest at which money was advanced to the fellaheen, which was previously 10 per cent, should be lowered to 9 per cent.

I give below some details as regards the operations of the past years.

During 1902, 34,532 loans, repayable in fifteen months, and amounting in the aggregate to £202,942 were made. Of these 19,785 were for sums less than £5; 7,807 were for sums between £5 and £10; 6,940 were for sums between £10 and £20.

The number of loans repayable in five annual installments was 20,341, representing in the aggregate a sum of £748,878. Of those, 8,513 were for sums below £20. Most of the others were for sums less than £100. The maximum amount of any one loan was £300.

On December 31, 1902, the total number of loans outstanding was 46,572 and the amount £208,200, as against £402,000 on December 31, 1901.

During 1902, £305,500 had to be recovered from 35,884 borrowers. Of this amount all but £2,360 was actually paid. There is every reason to believe that the balance due at the end of the year will shortly be recovered.

So far upper Egypt has scarcely been touched, and the bank is as yet only well known in parts of lower Egypt. The demands for small loans continue to be very numerous. There can be no doubt that the assistance afforded to the fellaheen has been greatly appreciated throughout the country.

The system in Egypt adopted in connection with the interesting and important question appears to have attracted a good deal of attention in other countries. I have received numerous inquiries on the subject.

The distinctive feature of the Egyptian system is that, although the whole of the management is in the hands of the bank, the government tax collectors collect the sums due on account of interest and sinking fund.

The reasons why the Egyptian system has attained a certain measure of success are mainly twofold. They are:

1. That, although the action of the government has been so far philanthropic that they have wished to benefit a large and important class of the community, the undertaking has in no degree been established on a philanthropic basis. On the contrary, the basis has been strictly commercial. There was in the first instance some very natural difficulty in convincing capitalists that the business would be fairly lucrative. But when by applying the test of actual experiment this difficulty was overcome, the main obstacle to success was removed.

2. The supervision which has been conducted by very carefully selected British agents has been capable, vigilant, and honest.

When I say that a certain degree of success has been attained in Egypt, I merely mean that, under the new system, it is clear that the fellaheen are anxious to borrow, and that the arrangement for advances and recoveries has worked well. Before it can be said the system has been completely successful, it has to be shown that the fellaheen are not, generally, making use of their improved credit to contract fresh debt at ruinous rate of interest. Time must be allowed before any confident statement can be made on this subject. So far the reports which I have received on this branch of the question are satisfactory. As I have frequently stated before, the fellaheen are generally much less improvident than used to be imagined.

EXTRACT FROM PARLIAMENTARY PAPER, EGYPT NO. 1 (1904).

[Report by the Earl of Cromer, G. C. B., His Majesty's agent and consul-general.]

INDEBTEDNESS OF THE FELLAHEEN.

I continue to receive so many inquiries about the system adopted in Egypt for advancing small loans to cultivators that, at the risk of repeating much that I have said on former occasions, it will perhaps be desirable that I should again explain the main features of the Egyptian plan.

That plan is very simple, but it differs materially from any which, so far as I am aware, has been adopted elsewhere. Notably, it is in no degree to be confounded with the cooperative system in force in some other countries.

The government guarantees interest at the rate of 3 per cent on the capital of the bank. This guaranty has enabled the requisite capital to be raised on comparatively easy terms. It is in the highest degree improbable that any occasion will arise for calling on the government to make good a deficit.

The rate of interest charged on the advances made by the bank is 9 per cent. The maximum amount lent to any one individual has, up to the present time, been £300, but the government has recently agreed to allow the bank to make advances, amounting in the aggregate to not more than £200,000, up to a limit of £500. Loans are limited in amount to 50 per cent of the selling value of the land on which the advance is made. The maximum value of the best land has so far been taken at £60 an acre, but this figure has now been raised to £80. The bank makes the advances and incurs the whole responsibility of the undertaking. The government, on the other hand, through the agency of its tax gatherers, collects the money due to the bank at the same time as the land tax. Thus the bank, being relieved of the necessity of maintaining an expensive staff of subordinates, is able to advance money to the peasantry at a relatively low rate of interest.

The facts which led to the establishment of the agricultural bank are briefly as follows:

In 1896 the Egyptian Government decided to lend £10,000 in small sums to the cultivators. This measure was purely tentative and experimental. It was never intended that the government should seriously occupy a field which can more suitably be left to provide individuals and institutions. The experiment proved successful. Nothing further was done in the matter until 1898, when the National Bank of Egypt was established. The bank, shortly after its creation, advanced about £27,000 to 870 cultivators. (See "Egypt" No. 1 of 1900, pp. 4-6.) In 1900, 9,500 advances were made, amounting in the aggregate to about £138,000. ("Egypt" No. 1 of 1901, pp. 6-9.) By the end of 1901 over 15,000 loans were outstanding, amounting in the aggregate to about £402,000. (See "Egypt" No. 1 of 1902, p. 8). The operations had by this time become so extended as to be manifestly outside the scope of an ordinary bank. An agricultural bank, with a capital of £2,500,000 was therefore started, under the auspices of the National Bank of Egypt. All loans outstanding with the National Bank were transferred to the new bank, whose sole business it is to advance money in small sums to the fallaheen. (See "Egypt" No. 1 of 1903, pp. 16-17.) On December 31, 1902, 46,572 loans were outstanding, for an aggregate sum of about £1,208,000.

On December 31, 1903, the outstanding loans amounted in the aggregate to £2,186,746. This sum was owing by 78,911 persons, viz:

Loans of £1 and under.....	759
Loans over £1 to £5.....	5,963
Loans over £5 to £20.....	6,434
Loans over £20 to £50.....	63,481
Loans over £50 to £100.....	7,928
Loans over £100 to £150.....	2,359
Loans over £150 to £300.....	1,987
Total.....	78,911

The average amount of each loan was £27.14.

Additional capital, to the amount of £2,500,000, is about to be raised in order to extend the operations of the bank.

SCHEDULE II.

CONCESSION OF THE EGYPTIAN GOVERNMENT TO THE AGRICULTURAL BANK OF EGYPT (MAY, 1902).

[Translation.]

Concession.

The Egyptian Government, represented by his excellency the minister of finance, duly authorized for this purpose by resolution of the council of ministers on the 17th of May, 1902, party of the one part, and the National Bank of Egypt and Sir Ernest Cassel, K. C. M. G., parties of the other part, have executed the following covenant:

ARTICLE I.

The National Bank of Egypt and Sir Ernest Cassel are authorized to form an agricultural credit company, limited, on the following bases:

(1) The company shall have a capital of 2,500,000 pounds sterling, part of which shall be in shares and part in obligations. The distribution of its capital in shares

and obligations shall be determined by the company itself. This capital shall not be increased except with the consent of the government.

(2) The company shall be managed by a council to consist of the governor of the National Bank of Egypt, as president, and five members, two of whom shall be selected from amongst the members of the council of administration of the National Bank of Egypt, and it shall be controlled by the government commissioners of the aforesaid bank.

(3) Its duration shall be fifty years.

(4) Its sole object shall be to advance money to the small agriculturalists, with the following conditions: (a) Loans not exceeding 300 Egyptian pounds each and payable within 5½ years. These loans shall be guaranteed by first mortgage on land, the value whereof shall be at least double the amount of the loan. (b) Loans not exceeding the sum of 20 Egyptian pounds each, payable within fifteen months.

(5) The rate of interest charged shall not exceed nine per centum per annum, and in all cases the conventional maximum fixed by the law.

(6) The recovery of the loans, principal and accessories, shall be effected through the mediation of the *sarrafs* of the villages, who shall receive from the company a commission of ½ per centum on all moneys collected.

(7) The receipts shall comprise: (a) The interest actually paid each year. (b) The amounts of loans or installments due from preceding years and actually paid during the business year, excepting as stipulated in the last paragraph of this article.

(2) From the aforesaid receipts there will be deducted: (a) All the expenses of the company. (b) The total of all the loans or installments thereof which have become due and have not been paid during the business year.

The difference shall constitute the net profits. From the said net profits there shall be paid successively and in the following order: (I) The interest on the obligations. (II) Five per centum on the interest actually collected each year for the reserve fund. The moneys paid into the reserve fund shall be invested subject to the approval of the Government; the interest accruing on these investments shall be added to the reserve fund. Out of the balance of the profits there shall be paid in the first place the interest on the preferred stock, if there be any, and then five per centum of said profits to the National Bank of Egypt, as stipulated remuneration for carrying on the financial operations of the Agricultural Bank of Egypt, and the sum necessary for five per centum interest to the holders of ordinary shares on the sums invested by them. The balance shall be distributed as follows: 50 per cent to ordinary stock; 50 per cent to the charter members.

ARTICLE II.

If at any time during the fifty years of the duration of the company the interests collected during any one business year and the moneys paid on loans or installments due from preceding years and not paid, shall not constitute a sum sufficient (a) to cover all the expenses for the year and the amount of loans or installments become due, but not actually paid, during the year, and (b) to leave a net gain representing three per centum of the capital invested in loans to the fellahs: The additional sum necessary for the purposes above mentioned shall be taken from the reserve fund, and in case of said fund being insufficient, the government shall pay to the company the balance of the sum required for said purposes, in the nature of a subsidy, and not later than the 15th of February of each year.

In the latter case, the loans and installments due and not recovered during the year, which shall be received during the subsequent years, shall be paid to the government until the subsidy paid to the company shall have been paid off.

Done at Alexandria, in three copies, on the 17th of May, 1902.

THE MINISTER OF FINANCE.
(Sgd.) AHMED MAZLOUM.

(Sgd.) EL. PALMER.
Governor National Bank of Egypt.

For Sir ERNEST CASSEL.
(Sgd.) VON LEONHARDT.

A true copy.
(Sgd.) M. INNES.

SCHEDULE III.

STATUTES OF THE AGRICULTURAL BANK OF EGYPT.

[Translated from the French.]

We, Khedive of Egypt, seeing the concession dated 17th May, 1902, signed by our secretary of finance, in virtue of the decision of our cabinet of ministers of same day, on the proposition of our secretary of finance and with the approbation of our cabinet of ministers, we decree:

ART. 1. The statutes of the Agricultural Bank of Egypt are approved.

ART. 2. The secretary of finance will undertake the execution of the present decree.

Made at the Palace of Ras-El-Tin, 17th May, 1902.

(Signed.) ABBAS HILMI.

By the Khedive:

The president of the cabinet,
(Signed.)

MOUSTAPHA PACHA FEHMY.
Secretary of Finance.

(Signed) AHMED MAZLOUNI.

PRELIMINARY ACT OF ASSOCIATION.

The undersigned, The National Bank of Egypt; Sir Ernest Cassel, K. C. M. G., London; J. Aghion & Figlio, bankers, Alexandria; M. Cattani, banker, Cairo; J. L. Merasei Figlio & Co., bankers, Alexandria; C. M. Salvage & Co., bankers, Alexandria; C. G. Zuvudachi & Sons, bankers, Alexandria, united together to found the society which shall be known as "The Agricultural Bank of Egypt," the object of which will be to make advances to small farmers.

The society will have a capital of 2,500,000, of which 1,250,000 divided into 248,000 shares of 5 each and 2,000 deferred shares of 5 each, and 1,250,000 in ordinary shares, bonds, or preferred shares, according to the decision of the board of directors, and of which the conditions will be governed by the said board.

The bank shall be directed by the following statutes, agreed to by the undersigned:

The undersigned undertake to follow the authority required by law and to take all the necessary steps which the special character of the institution they propose to found requires.

The 248,000 shares of 5 each, which form the capital, are already subscribed for by—

The National Bank of Egypt.....	80,000 shares.
Sir E. Cassel, K. C. M. G.....	110,000 shares.
J. Aghion & Figlio.....	7,500 shares.
M. Cattani.....	1,000 shares.
J. L. Menasci Figlio & Co.....	1,900 shares.
C. M. Salvage & Co.....	22,900 shares.
C. G. Zervudachi & Sons.....	24,700 shares.

Of these shares 80,000 are fully paid up, and of the others 40 per cent will be paid by 2d June, 1902.

The two thousand deferred shares are divided between those whose signatures appeared on the concession of the Egyptian government, &c.

The amount of said shares has been entirely paid by them.

The first board of directors of the society will be composed of the following:

Sir Elwin Palmer, K. C. B., K. C. M. G., governor of the National Bank of Egypt, president; the Right Honble. Arnold Morley; Sir Vincent Caillard; Sir John Rogers, K. C. M. G.; E. W. Percival Foster, C. M. G.; F. Leonhardt.

Made and signed with the annexed articles of association in eight copies, one for each of the undersigned founders, and the eighth to be lodged with the secretary of the president of the cabinet of ministers.

17TH MAY, 1902.

STATUTES.

ACT I.

Name of the society—Head office—Time of duration, and its object.

ART. 1. The society, formed under the terms of the decree dated 17th May, 1902, and the present statutes shall be known as the Agricultural Bank of Egypt. It is governed by the mixed code.

ART. 2. Its head office is at Cairo, but the board of directors can open agencies in any other parts of Egypt and abroad as it thinks necessary in the interests of the bank.

ART. 3. The duration of the society is fixed at 50 years, beginning 1st June, 1902.

ART. 4. The Agricultural Bank of Egypt has for its sole object the making of advances (loans) to small farmers under the following conditions:

1st. Advances must not exceed the sum of 500 each one, repayable in 10½ years at the latest. These advances are guaranteed by first mortgage on the land of the value of double the amount of the advance at least.

2nd. Advances must not exceed the sum of 20, each repayable in 15 months at the most. The interest must not exceed 9 per cent per annum and, in any case, the maximum rate fixed by law. The redeeming of loans, both principal and accessory, shall be made by the interposition of the sheriffs, who shall receive from the society a commission of ½ per cent on all money collected. The society will, moreover, pay to the secretary of finance the expenses of the people employed specially in the service of loans.

ACT II.

Funds—Shares—Bonds.

ART. 5. The society shall have a capital of 5,000,000, of which 1,250,000 is divided into 248,000 ordinary shares of 5 each and 2,000 deferred shares of 5 each; and 1,250,000 divided into 125,000 preference shares of 10 each, and 2,500,000 in bonds, of which the conditions will be fixed by the board of directors.

ART. 6. The amount of the shares and bonds is payable at the head office at Cairo, or anywhere which may be determined by the board of directors, and on the terms fixed by them.

ART. 7. Any sum of which the payment is late loses all right, in favor of the bank, interest at 7 per cent per annum from due date, without the right of judicial suit.

ART. 8. In default of payment at due date the bank has the right, one month after publication of the number of the unpaid coupons in a paper designated for the publication of legal announcements at Cairo, to proceed to sell, together or separately, at the same time or in succession, shares or bonds on the Bourse at Alexandria, by brokers or jobbers for account and risk of the owners, without any order or legal proceedings.

The shares thus sold will become null and void and new shares will be delivered to the purchasers, bearing the same numbers.

Any share which does not show that the payments due have been regularly made will cease to be negotiable.

The proceedings authorized by the present article are no reason for the simultaneous exercise by the bank of its ordinary legal rights.

The proceeds of the sale, after deducting costs, belong to the bank, and imply, in the terms of the law, that which is due by the ex-share or bondholder, who remains liable for the difference if there should be a deficit, but who also profits if there should be a surplus over the amount due.

ART. 9. The bank can make its shares and bonds to order or bearer. The shares will be to order until their full discharge. The scripts are numbered and furnished with the signatures of two directors. They bear the stamp of the bank.

ART. 10. The order shares will be negotiated by a transfer on the books of the bank. For this purpose a declaration of transfer and acceptance of transfer, signed by the giver and receiver, are sent to the bank.

Transfers are of no value either between the parties or the bank, except they be made as above stated and inscribed on the registers of the bank and signed by two directors or two members of the board of directors.

The bank can exact that the signatures and the position of the parties be legally certified to.

The shares or bearer are transferred by simple delivery.

ART. 11. Any shareholder or bondholder can deposit his certificates with the bank and take in exchange an "order receipt."

The board of directors shall determine the conditions, manner of delivery, cost of the receipt, and costs of the transfer.

ART. 12. Each share carries an interest in the assets and in the division of the net profits of a part in proportion to the number of shares issued.

The dividends on each share, whether order or bearer, are payable to bearer on presentation of the coupon.

ART. 13. Shareholders are only liable for the face value of each share; over and above that sum any call for funds is forbidden. The holding of a share is an acknowledgment of agreement with the statutes of the bank and of the decisions of the committee.

The heirs or creditors of a shareholder can not, under any pretext whatsoever, embargo or seize the property of the bank or demand its liquidation or sale, or interfere in any way with its administration. They have recourse for the execution of their rights by bringing the matter before the committee and having it discussed at a general meeting.

ART. 14. No share or bond can be divided. The bank only recognizes one proprietor for one share or for one bond. The rights and obligations which it carries must follow the laws, in whatsoever hand it passes.

ACT III.

Board of directors—Commissioners—Judges—General meetings.

ART. 15. The society is managed by a board composed of the governor of the National Bank of Egypt as president and of seven (7) members, of whom three are chosen from the administration of the National Bank of Egypt.

Three, or at most four, of these members constitute a special committee, meeting at London, where they ought to reside. The board of directors should have its seat at Cairo. At the same time the president can, under exceptional circumstances, call a meeting at London, if the service needs it. This board must keep the committee at London informed of affairs every week. It will follow the advice of the committee and count their votes when it moves—

1st. To decide to make a call for more funds, to propose increasing its working capital or the distribution of shares of a future creation which the shareholders have not the right to apply for or who do not subscribe for.

2nd. To suspend the order of the day of general meetings, to agree to the calling of extraordinary meetings, or to propose reforms to the statutes.

3rd. To approve the final balance which ought to be submitted each year to the general meeting.

4th. When it decides upon the liquidation and dissolution of the society.

5th. In any questions relative to the increase of capital or issuing of bonds, to the conditions of said increase or said issuance of bonds, and to their distribution.

6th. In any other instance where the intervention of the committee be demanded by the president of the board of directors.

ART. 16. The president must see that the orders of the board of directors are duly executed, and has charge of the management of all the affairs of the society.

ART. 17. Each member of the board of directors must be the proprietor of at least two hundred shares of the society deposited with the bank. These shares can not be removed or alienated during his term of office, nor until the general meeting has approved the accounts for the period corresponding to the time he held office. The receipts for these deposits shall be stamped with a stamp denoting their statutory character.

ART. 18. The members of the board of directors must not, in view of their duties, contract any personal obligation. They will only attend to the execution of their duties.

ART. 19. The duty of a member of the board of directors is personal; it can not be performed by proxy or by power of attorney.

ART. 20. The board shall meet as often as it deems suitable. The board meeting shall be called by the president or by one who fills the office of president.

ART. 21. The governor of the National Bank of Egypt, or in his stead the assistant governor of the said bank, shall preside over the board of directors. In order that the resolution of the board be valid, it is necessary that at least three members be present. The proposals of the board shall be taken by majority of votes. In case of division, the vote of the president carries.

ART. 22. The resolutions of the board of directors are established by minutes of transactions written into special registers and signed by the president or his deputy. Also the copies or extracts produced for any motive whatsoever shall be certified correct by the president or his substitute.

ART. 23. The board of directors has the widest powers in the administration of the affairs of the bank within the limit of the statutes. It will act with justice as much in demanding as in defending; it forms the last recourse; it makes all recusations; it gives full power. It negotiates, settles, makes compromises, arranges disputes amicably where possible, adjusts differences by mutual consent, gives any kind of allowances and abandonments, gives over all rights, has free hand and desists from all privileges, stops seizures and relinquishes all privileges and mortgages, cancellation of acts, oppositions or obstacles whatsoever, and consents to the withdrawal of all titles, the whole with or without payment. It consents to all priorities, subrogations, and mentions.

ART. 24. The writ of the members of the board of directors is for five years. It can always be renewed under the same conditions. The board will be renewed each year by fifths (i. e., a fifth part of the board). By derogation the first board of directors is named in the preliminary act of association. The duties of this first board will remain in force five years. At the expiration of this period it will be done by drawing, choosing the numbers in succession. Afterwards the renewing will take place by seniority.

The board of directors can appoint any one provisionally to fill any vacancies which may occur. These nominations are then submitted to the first general meeting. The members then named to replace other members will exercise their right until the time expires of those whom they replace. The business years will be counted from one ordinary general meeting to another.

The officers will not cease to hold office until after the general meeting and nomination of their successors.

ART. 25. The remuneration of the board of directors is fixed at £2,600 a year. The distribution of this sum between the directors shall be determined by the board.

ART. 26. The government commissioners delegated by the minister of finance, with the National Bank of Egypt, have equally to strictly observe the statutes of the agricultural bank of Egypt. They can at any time examine the books of this bank. They can assist at the meetings of the board with privilege of being consulted.

In case of the breaking of the statutes of the bank they will present their written observations to the board, and if they are not taken into consideration they will immediately report to the minister of finance.

ART. 27. The ordinary general meeting will name annually an auditor. He is reeligible indefinitely. He will receive an indemnity fixed annually at the general meeting.

The first auditor shall be named by the board of directors, together with the government commissioners.

The duties of the auditor are to examine the accounts of the current year and to give his advice at the ordinary general meeting following. He will not take part in any meeting of the board of directors unless invited.

To be auditor it is necessary to be the proprietor of twenty shares and deposit them in the bank, where they will remain untouched during the whole term of his office. This deposit will be made and received under the same conditions as those of the members of the board of directors.

GENERAL MEETING.

ART. 28. The ordinary general meeting shall name the members of the board of directors, excepting the president, and in conformity with the rules of art. 15 of the present statutes, as well as the auditor on the majority of votes.

It will hear the reports of the committee and the auditor.

It will examine and approve the accounts if in order or call for corrections.

It will fix the amount of the dividends. At the same time the dividends cannot be greater than those proposed by the board of directors.

It will discuss all the interests of the society within the limits of the statutes.

The extraordinary general meeting, on the proposal of the board of directors, can make to the present statutes any modifications or additions, of which the need is recognized, with the approbation of the Government; it can especially decide:

The increasing or reduction of the capital, both shares and bonds; the prolongation or shortening of the duration of the society; the anticipated dissolution; the modification of the object and the denomination of the society. This enumeration is simply enunciative and by no means limited.

ART. 29. The general meeting is composed of all the shareholders of the society having a right to vote, acting for themselves or for their clients.

ART. 30. Shareholders possessing at least five shares have a right to vote at the general meeting.

Any shareholder, if he has not more than one hundred shares, will have a vote for every five shares. If he possesses more than one hundred shares he will have for the shares exceeding this number as many votes as there are twenty shares, and if he possesses more than one thousand, as many votes as he has times one hundred shares. Shareholders having a right to vote can be represented at the general meeting by legal proxy or by agreement.

Shareholders having a right to vote who wish to take part at general meetings must deposit their shares at the head office or at the establishment designated by the board of directors five days at least before the general meeting. A card of admission to bearer, bearing the number of votes he is entitled to, will be handed him with the deposit receipt for his shares.

The shares deposited at the bank for the meetings will be returned after the closing of the meeting and on receipt of the deposit receipt.

ART. 31. The ordinary general meetings take place each year in the month of February at the head office of the bank at Cairo at the date fixed by the board of directors.

The extraordinary general meetings take place at the head office of the bank at any time the board deems it necessary to call them.

ART. 32. The calling of general meetings will be made by a notice published in the official journal of the Egyptian Government and in a paper designed for legal announcements at Cairo, as well as in a London paper.

They will be inserted twice, with an interval of eight days at least, the second insertion appearing at least eight days before the date of the meeting.

The board can order any supplementary publication in Egypt or abroad.

When an extraordinary general meeting is called it ought to indicate briefly the object of the meeting.

ART. 33. The general meeting, meeting for the first time, will discuss in due form when the shareholders present or represented constitute the fifth part of the shares issued.

In extraordinary general meetings the shareholders present or represented ought to represent the fourth part of the shares issued.

In either case, if these conditions are not fulfilled, a second meeting must be called in the same manner, but with an interval of fifteen days at least. In this case one insertion is sufficient. In this second meeting the board shall duly consider the number of shares produced by the members. No modification of the statutes can be made without calling a general meeting, in which three-fourths of the capital—that is, shares—are present or represented. Any decision to modify ought to consist of at least the half of the capital. Nevertheless, if the general meeting does not consist of a number of shareholders representing three-fourths of the capital, it can by a simple majority of shareholders present or represented make a provisional resolution. In this case a new general meeting is called in the terms of the preceding paragraph.

The meeting makes known to the shareholders the provisional resolution adopted by the first assembly, and this resolution only becomes definite if it is approved by the new assembly, composed of a number of shareholders representing the quarter part at least of the capital.

ART. 34. The general meetings shall be presided over by the governor of the National Bank of Egypt, or in his absence by the vice-governor of the said bank, who will form the office by choosing from the members present at the meeting two examiners and one secretary, of whom the nomination shall be subject to the confirmation of the meeting.

The president shall direct the discussions. In this capacity he is invested with the fullest powers. Only those questions can be discussed which bear upon the programme of the day, ruled by the committee at the meetings and which the president has outlined at the commencement of the debate. The programme of ordinary meetings comprises clearly everything which enters within the province of these meetings.

The programme of extraordinary meetings allows only those subjects which were indicated on the notice of the meeting. Nevertheless, the programme will consider propositions which shall have been presented to the board, ten days at least before the meeting, signed by twenty shareholders at least, having the privilege of assisting at the meeting and representing together at least the tenth part of the capital.

ART. 35. The resolutions formed by the meeting are put to the vote by the president. They are settled absolutely by majority.

ART. 36. The resolutions of the general meetings are binding on all shareholders, whether present or absent.

ART. 37. The minutes of the general meetings shall be arranged in order. These minutes shall be inscribed in a special register and signed by the president, the examiners, and the Secretary. The copies or extracts of the minutes shall be certified to either by the president of the board or by a director.

The minutes of each general meeting shall be attached to the documents relating to the calling of said general meeting and the attendance sheet mentioning the names of the shareholders assisting at the meeting in person or by proxy, as well as the number of shares represented.

ACT IV.

Annual statement—Balance sheet—Dividends—Reserve fund.

ART. 38. The working year begins on 1st January and ends on 1st December. However, the first period shall include the time between 1st June, 1902, and 31st December, 1903.

ART. 39. At the end of each year a general statement of assets and liabilities shall be prepared. This statement, the balance sheet, and the profit and loss account will be placed at the disposal of the government commissioners, of the auditor, and of the shareholders at the head office ten days before the date fixed for the assembly of the general meeting.

The committee will present these accounts to the general meeting and submit them for its approbation.

ART. 40. The receipts compose—

- (a) The interest actually collected every year.
- (b) The amount of loans expired or periods expired for the previous year and actually recovered during the current year, except those stipulated in the last line of art. 41.

The undermentioned receipts must be deducted:

- (a) All the expenses of the society.
- (b) The amount of all expired loans or parts thereof expired and not recovered at the end of the year. The difference will be the net profit.

To this net profit will be charged, in the following order:

1. The interest on the bonds.
2. Set aside for the reserve fund 5 per cent on the interest actually collected each year. If this interest exceeds £225,000, the amount charged will be increased 2 per cent on the surplus. This sum of £225,000 being calculated on the basis of 9 per cent actual rate of placing the loans, should if this rate happened to have been reduced later, the amount shall be diminished in proportion to this reduction. In case the interest to be paid by the society on the bonds issued, calculated on the net product of these bonds, should absorb a rate below 4 per cent per annum, the difference between 4 per cent and the rate thus calculated should be carried to the reserve fund. In calculating the rate of interest as above, consideration should be taken of the charges resulting from the reimbursement at par of obligations which should have produced less than par.

The sums placed to the reserve fund will be done so by acts approved by the government; the interest resulting from these amounts will be added to the resources of the reserve fund. On the profits remaining there will first be deducted the interest belonging to the preferred shares, if any, then 5 per cent of the said profits remuneration agreed for the performance of the financial operations of the agricultural bank of Egypt, and the sum necessary to give interest of 5 per cent per annum to the proprietors of ordinary shares on the amount of their payments.

The balance will be divided as follows: 50 per cent to the ordinary shareholders, 50 per cent to the preferred shares.

ART. 41. Each time that during any year of the 50 years' duration of the society the interest received during the year, as also the sums received on the expired loan or part payments of loans and not recovered during the preceding years, should not reach the necessary amount:

1st. To cover all the expenses of the year and the amount of loans or part payments not actually recovered in that year.

2nd. To leave a net profit of 3 per cent of the capital employed in loans to the fellahs.

The sums necessary to meet the above will be taken from the reserve fund, and in case of insufficiency of said funds the Government will pay over to the society, in the form of a subsidy, on the 15th February of each year at the latest, the balance of the sum necessary for the above needs.

In the latter case the loans or part loans unredeemed during the year, which will be paid in during the following year, will be paid over to the government until the amount of the said subsidy has been redeemed.

ART. 42. The payment of dividends will be made annually at times fixed by the board of directors after the general meeting has decided the amount. The board of directors can, during the year, make part payments on account of the profits.

Any dividend which remains unclaimed after five years shall be placed to the profit of capital account.

ACT V.

Dissolution—Liquidation—Disputes.

ART. 43. At the expiration of the society or in case of anticipated dissolution, the extraordinary general meeting on the proposal of the board of directors shall arrange the mode of liquidation, name the liquidators, and define their powers.

The assets, after deducting all debts and charges, shall be employed first and in the following order, to liquidate:

1st. The paid up capital on preference shares, if any exists.

2nd. The paid up capital of ordinary shares.

3rd. The paid up capital of deferred shares.

The balance, if any, will be divided as follows: 50 per cent to ordinary shareholders; 50 per cent to deferred shareholders.

The reserve fund, after first deducting and paying over to the government all moneys and interest which it has paid in subsidies and which has not been returned to it, will be divided in the same proportion, namely: 50 per cent to the ordinary shareholders; 50 per cent to the deferred shareholders.

ART. 44. During the whole time of the liquidation the general meeting retains its powers. They will especially approve the balance sheet after liquidation and pass it.

ART. 45. The nomination of the liquidators puts an end to the powers of the board of directors.

ART. 46. Any disputes or questions touching on the general and collective interest of the society can only be directed against the administrative board or one of the members in the name of the shareholders and in view of a resolution of the general meeting. Any shareholder wishing to make a like protest must advise at least a month before the next general meeting the board of directors which meets to put the proposition to the vote at the meeting.

If the proposition is thrown back at the meeting, no other shareholder can take it up in his own name.

If it is accepted, the meeting will place one or several commissioners to look into the protest.

All notices must be addressed to the commissioners only, under penalty of nullification.

SCHEDULE IV.

THE AGRICULTURAL BANK OF EGYPT, ITS METHODS AND PLAN OF OPERATION.

The sole business of the agricultural bank is to advance money to small landowners. The loans are of two kinds only, viz:

(a) Loan from £½ up to £20 and exceeding as a rule twice the annual land tax which the landowner pays the government. These loans are repayable with interest in one sum the following crop season, but if made only two or three months before that season they are not recovered until the following year. The maximum period for which these loans are granted is fifteen months.

(b) Loans from £10 to £300, and not exceeding as a rule ten times the tax which the landowner pays the government. These loans are repayable by five annual installments at the crop season.

In special rich parts of the country where the land is very fertile more than twice or ten times the tax is sometimes advanced, but never more than 50 per cent of the value of the land the applicant owns.

The A. loans have no special security beyond the crop. On the other hand, the B. loans are secured by a duly registered mortgage on land.

The recoveries are effected by the government tax collector at the time the taxes are collected, the agreement between the landowner and the bank being that the first payment he makes to the tax collector shall be taken as refund of the loan.

This is done to enable the seizure of the crops by the government should he not pay up both the loan and the tax, the government having the right to seize the crops administratively for nonpayment of taxes. There is, however, an understanding between the government and the bank that should there be any deficit the taxes are first to be covered.

The tax collector is allowed by the bank one-half of 1 per cent on all recoveries.

The following is the procedure that is adopted:

Demand forms (No. 1 for A loans and No. 6 for B loans) are deposited in each village with the omdeh (head official of the village). A landowner requiring a loan obtains one of these forms and fills up the part that concerns him, or if he can not write gets this done by a writer. He then takes the form to the tax collector who keeps the land register and gets him to fill up and sign the first certificate on the form. In the case of B loans he has also to get the village measurer to give at the foot of the form the delimitation and measurement of the land to be mortgaged, which have to be certified to also by the omdeh of the village. This having been done, the applicant presents the demand to the bank's agent in his district, who, after consideration of the value of the land owned by the applicant, from his general knowledge of that part of the country, admits or rejects the demand. If the demand is admitted, the bank's agent sends it under sealed cover direct to the tax collector (by the village official messenger) for him to fill up his second certificate. This latter procedure is adopted to prevent falsification of the tax collector's signature by the applicant. The bank's agent also makes the applicant when presenting his demand place his seal on form No. 2 for the purpose of identification when the money is paid. It is further under contemplation to make the applicant put his thumb mark on the form as an extra check.

When the bank's agent receives the demand form back from the tax collector he sends it to the head office of the bank in Cairo, where it is carefully checked and examined. If it is all in order, in the case of an A loan, the bank at once issues a pay order (form No. 3) to its agent to pay the amount to the applicant.

In the case of a B loan a pay order (form No. 8) is sent to the agent, but only after the mortgage on the applicant's land has been duly registered.

When the payments are made, and this is done as much as possible in the presence of an English inspector, so as to insure the applicant's getting the full sum, the bank's agent takes a receipt (form No. 2 for A loans and form No. 7 for B loans) and after entry in his registers (form 4 for A loans and form 9 for B loans) he sends them to the head office of the bank in Cairo. Here each loan is registered (form No. 10 for A loans and No. 11 for B loans) and the interest calculated.

The lists (form No. 5) of sums to be recovered by the government tax collectors are prepared by the bank's agents, who likewise calculate the interest, and are sent to the head office of the bank, where they are checked. They are prepared separately for each village, and are sent to the ministry of finance, by whom they are passed on to the tax collector with instructions to recover on the due dates.

The interest is charged to the end of the month in which recovery is due, and all money collected that month is credited to the bank by the government on the 1st of the following month, the government sending lists (form No. 12) of recoveries effected to the bank as soon after the end of the month of recovery as possible.

Should a loan not be recovered in the month in which it is due interest for the extra period is charged and intimation given to the government for subsequent recovery.

The registration of the mortgage deed in the case of B loans is effected as follows:

The agent of the bank in the district at the same time as he sends the demand for a B loan to the head office of the bank in Cairo sends to the tribunal where the deeds have to be registered a list of applicants with particulars of the lands they propose to mortgage. In each tribunal the bank has a clerk, who on receipt of these lists checks them with the court registers of mortgages to see that there exists no legal charge already on the land. Although the tax collector has certified on the demand that there is no such charge this further check is necessary as the owner of the land may have mortgaged the land and the tax collector not have had cognizance of the fact owing to the communication of the court not having at the time reached him.

The bank's clerk at the tribunal after he has checked the lists forwards a report to the head office of the bank at Cairo. If this report is favorable the mortgage deeds are at once prepared in the legal department of the bank, and intimation is sent to the applicants to appear on a certain date at the tribunal where the deed is to be passed. The cost of passing the act is borne by the applicant, and the sum (about 1 per cent) deducted from the amount paid to the applicant. The registration charge would be much higher, but the government exempts the applicants from payment of most of the court fees.

SCHEDULE V.

AGRICULTURAL BANK OF EGYPT.

Instructions regarding advances to small cultivators, as per forms A. and D.

FORM A.

The conditions put forward on form A remain in force unchanged, but at the back of the present must be indicated extension and limits of the lands belonging to the person who asks for an advance, and signed and sealed by the village chief as well as by the district surveyor, as per form A.

FORM B.

1. The agricultural bank of Egypt grants advances as per the conditions mentioned on form B, repayable in ten yearly installments.

2. The amount of the advances is fixed at fifteen times the new land tax for the districts where the tax has been recently revised. For districts where the tax has not yet been changed the amount of the advance will be based on the tax as heretofore paid. For example, if the intending borrower owns 10 feddens, advance of £150.

3. The borrower must hypothecate to the bank all the lands to which the loan has been appropriated.

4. The borrower must state on form B all particulars and limits of the lands to be hypothecated. The value of the lands must be at least double the amount of the loan asked for.

5. The loans will vary from £10 to £300 maximum without fractions of pounds.

6. The rate of interest will be 9 per cent per annum for twelve months, fractions of a month to be taken as full.

7. All legal expenses in connection with the registration or cancellation of mortgages to be borne by the borrower.

8. These cultivators who have already borrowed money from the bank under the old regulations will have the option of extending the repayment of the balance due to the bank over ten years, instead of five years, as formerly stipulated, or to continue the repayment by five yearly installments. If they wish to increase their loan to fifteen times the amount of the taxes they pay to the government, the new loan will be added to the amount of the old one or to its balance, and the total will be repayable over a period of ten years.

9. In order to facilitate the borrower to calculate the amount they have to pay yearly to the bank, viz, amount of the annuity plus the interest, the following table gives an example in the case of a loan of £100:

Year.	Amount payable.	Composed of—	
		One year's interest at 9 per cent.	Yearly installment of capital.
First.....	£19	£9	£10
Second	18.100	8.100	10
Third.....	17.200	7.200	10
Fourth	16.300	6.300	10
Fifth	15.400	5.400	10
Sixth	14.600	4.600	10
Seventh	13.600	3.600	10
Eighth	12.700	2.700	10
Ninth.....	11.800	1.800	10
Tenth	10.900	.900	10
	149.500	49.500	100

SCHEDULE VI.

FORMS USED BY AGRICULTURAL BANK OF EGYPT.

[Translation.]

In account current with the Agricultural Bank of Egypt.

Orig.....	£0. 350
Fols .....	. 280
Copy .....	. 360
Stamp .....	. 120
	<hr/>
	1. 110

Recorded and charged, payment not having been made on the spot.

Vol. Fol. No. Cairo,, 19...

THE CLERK.

Opening of credit, with security consisting in a mortgage on property situate in the village of, markaz of, moudirich of
In the year 19..., on, at the office of the clerk of notarial records of the mixed court of Cairo, before us,, Clerk, and in the presence of the witnesses, Messrs., domiciled at Cairo and possessing all the conditions and qualifications required by the law, and attesting the identity of the persons hereinafter named, there appeared Mr., the son of, domiciled at Cairo, of the Agricultural Bank of Egypt, acting in the name and behalf of said bank, a limited stock company with domicile at Cairo, by virtue of a power annexed to the record filed in this office on, under No., party of the one part, and, party of the other part, who entered into the following covenant:

ARTICLE I.

The Agricultural Bank of Egypt opens in favor of, who accepts, a credit in account current, until the sum of £..... shall have been paid, bearing interest at the rate of three-fourths per centum for each month or fraction of month, beginning with the dates of the loans.
This credit is destined exclusively for the reimbursement in full of the indebtedness of the debtor hereinbefore named, and is granted with the condition that on the land hereinafter mortgaged as security there does not exist an inscription or transcription of real rights of any kind, excepting the mortgage or lien that may exist in favor of the aforesaid creditor as security for the aforesaid credit.
This credit shall be available until, and only for the reimbursement in reference.
During the month of the person in whose favor the credit has been opened shall pay to the bank the amount of the interest accrued until the end of said month, and reimburse at the same time one-tenth of the amount of the loans.
The balance shall be reimbursed at the rate of one-ninth each year during the month of of each of the subsequent nine years, together with the total of the interest due at each due date.

ARTICLE II.

For the security and guarantee of the sums which shall be owing by him to the bank for principal, interests, expenses, and other accessories in consequence of the credit above mentioned, the debtor shall execute a mortgage in favor of the bank, which latter accepts through the intermediary, Mr., on the agricultural land hereinafter designated, which he declares to belong to him as exclusive and lawful owner thereof, in the existing condition with all constructions thereon and appurtenances thereof and all real property thereunto belonging, and all improvements which may be made on the aforesaid property.

ARTICLE III.

In case of failure on part of the debtor to fully comply with any of the clauses of the aforesaid agreement for the opening of credit, the bank shall be fully entitled to discontinue the credit and to demand forthwith the payment of the entire sum due for principal and accessories with interest at the rate above mentioned, which shall continue to accrue and shall be capitalized annually until payment in full.

ARTICLE IV.

The obligations of the debtor shall be indivisible, whatever may occur, and consequently his heirs shall be jointly responsible.

This instrument was received and approved in this clerk's office and, after being read, given by us to the persons appearing before us, in the presence of the witnesses, in French, a language known to Mr., and a translation into Arabic made by Mr., interpreter of this court, and accepted by the petitioners, who all signed with us.

[Translation.]

No.

Payment made; Dpp (?)
[Stamp]
[Eg. Pds.]
On, 190...

THE CLERK.

DEBIT.

Orig..... £0. 350.
Folios
Certif 200

Vol. fol. No.
On, 190...

THE CLERK.

Notice of a conventional mortgage the registration whereof is requested from the mortgage office of the mixed court of

In favor of the Agricultural Bank of Egypt, a limited stock company with domicile at Cairo, selecting for the effects of registration as domicile against

By virtue of an authentic act opening a credit and executing a mortgage as security therefor, received of the notarial records of the mixed court of, on, under No.

As security 1, for the sum of Egyptian pounds (£.....), the amount (principal) of the credit opened as aforementioned, bearing interest at the rate of 3/4 per centum each month or fraction thereof, beginning with the dates of the loan until fully paid. It has been stipulated that the payment of the aforesaid sum can be demanded in ten annual installments, beginning with the month of of the year, together with the interest, so that in the month of of each of the years 19.., 19.., 19.., 19.., 19.., 19.., 19.., 19.., 19.., and 19.., said debtor shall reimburse one-tenth of the sum advanced to by the bank, together with the interest accrued, until each due date, and at the rate of interest above mentioned, £.....

(2) For the interest on the loans made during the duration of the credit at aforesaid rate of 3/4 per centum for each month or fraction thereof, beginning with the dates of the loans, and subsequent interest at the ordinary rate, £3.

(3) For the eventual expenses of this registration and of its execution, etc.
Memorandum, £3.

Total to be registered, excepting memorandum.

With the proviso that the credit is granted with the condition that on the land mortgaged as security there exists no inscription or transcription of real rights of any kind.

2. That in the case of failure on part of the debtor to fully comply with any of the clauses of the aforesaid agreement for the opening of credit the bank shall be fully entitled to discontinue the credit and to demand forthwith payment of the entire sum due for principal and accessories, with interest at the rate aforementioned, which shall continue to accrue and shall be capitalized annually until payment in full.

3. The obligations of the debtor shall be indivisible, whatever may occur, and consequently his heirs shall be jointly responsible.

Done in duplicate on

By request.

[Marginal note:] Registered at the mortgage office of on 19.., at o'clock.

No.

THE CLERK.

Fr.

[Transtation.]

Release of mortgage granted by the Bank of Egypt in favor of, on property situate in the village of, district of, Moudirieh of

In the year of 19....., on the, at the office of the clerk of notarial records of the mixed court of Cairo.

Before us,, clerk, and in the presence of Messrs. and, witnesses, domiciled at Cairo, and having all the qualifications and requirements necessary, there appeared Mr. G. Scott Dalgleish, son of the late W. Scott Dalgleish, known to us, born at Edinburgh, Scotland, and resident at Cairo, manager of the Agricultural Bank of Egypt, acting in the name and behalf of the, a limited stock company, the domicile whereof is at Cairo, by virtue of powers conferred upon him by an instrument filed at the office of the clerk of this court on the 5th of June, 1902, under No. 3737.

Who, by virtue of his office, declares that he executes by these presents a release, pure and simple, waiving all hypothecary rights, and consents to the full and final cancellation of the entry made in the mortgage office of the mixed court of on, under No., in favor of the Bank of Egypt against, on real estate situate at the village of, district of, by virtue of the instrument relative to the opening of credit filed with the clerk of notarial records of the mixed court of, on, under No. In canceling said entry the curator of mortgages will be fully and validly released.

The instrument being received and approved in this office, was given by us, after having been read to the petitioner, in the presence of the witnesses, in French, a language known to said petitioner and witnesses, all affixing their hands together with us.

[Translation.]

MEMORANDUM OF RELEASE.

The mortgage office of the mixed court of is requested to make a memorandum of release on the margin of the entry appearing on, under No., in favor of the National or the Agricultural Bank of Egypt, against, on property situate at the village of, district of, Moudirich of

Said memorandum of release is requested by virtue of an authentic instrument of release filed in the office of the clerk of notarial records of the mixed court of Cairo on, under No.

AGRICULTURAL BANK OF EGYPT.

(No. 1.)

Demand form for "A" loans.

Province, district, village

Number.	Name of applicant.	Quantity of land owned.	Amount of tax.	Amount of loan ap-plied for.	Notes.
	(1)	(2)	(3)	(4)	

I, or we, the undersigned, named in the above column, request you to advance us the amount above mentioned, which amount I, or we, engage to repay in the month of, with interest at the rate of 9 per cent per annum, calculated monthly.

The repayment will be made at the same time as the government tax.

And for further guaranty I, or we, agree that the first payment made by me, or us, to the government shall be considered as a repayment of the amount advanced, and not as a payment of the government tax.

(Signature)

TAX COLLECTOR'S FIRST CERTIFICATE.

I,, tax collector of the village of, certify that there is entered in the land register of village, in the name of, in his quality of, the lands above mentioned to the extent of feddans, kirats, sahms.

And that there exists on the said register at the present date no indication that these lands are mortgaged or bear any legal charge.

OR

And that there is inscribed on the said register a mortgage on feddans kirats sahms of the said land.

(Signature)

(Alternative certificate.)

Form of list of sums to be recovered sent to government.

Statement of sums to be repaid on loans ("A" or "B") in the village of, district, province, in the month of, 190.....

No.	Name of debtor.	Amount to be repaid.	Total amount of loan.	Notes.

Demand form for "B" loans.

Province, district, village

No.	Name of applicant.	Total area of land owned.	Amount of tax.	Amount of advance.	Area of land to be mortgaged.	Costs of mortgage.	Date of passing act of mortgage.	Notes.

I, or we, undersigned, sons of (state whether father is alive or dead), born in the village of and residing at (here state if able to write or not), whose names appear in the column above, request the advance of the sum above-mentioned which I, or we, engage to repay in five equal annuities, in the month of of each year, with interest at 9 per cent per annum, such payment to be made at the same time as that of the government tax. In further guarantee I, or we, agree that the first payments made by me, or us, to the government shall be considered as repayment of this loan and not as payment of the tax.

I, or we, also agree to mortgage to the Agricultural Bank of Egypt, at my, or our, own expense, and before receiving payment of the advance, the land above mentioned, which is delimited on the back of this form.
(Real or signature.)

TAX COLLECTOR'S FIRST CERTIFICATE.

TAX COLLECTOR'S SECOND CERTIFICATE.

(Exactly as on demand form for "A" loans.)

QUESTIONS TO BE ANSWERED BY APPLICANT.

1. Is the land mentioned in this demand form your property? Do you possess it entirely in your own right, or, if not, in what proportion and by what right? If by coproprietorship, what is the extent of your share, and do you hold it by seniority or otherwise?
2. Has this land been constituted a wakf (chancery bequest) or is it subject to any mortgage or other legal charge?

STATEMENT OF LAND TO BE MORTGAGED.

Measurement and delimitation of land to be mortgaged to be signed by public measurer and by headman of village or his representative.

AGRICULTURAL BANK OF EGYPT.

(No. 7.)

Engagement form and receipt for "B" loans.

Province, district, village,

No.	Name of applicant.	Amount of advance.	Amount paid to applicant (costs of mortgage deducted).	Notes.

(Signature or seal.)

(Copy of signature or seal is affixed here before the demand form is sent to the bank's head office to assist agent in afterwards being sure of identity of parties.)

I, or we, undersigned, acknowledge having been fully paid the amount above mentioned and engage to repay it in five years, in the month of of each year, with interest at the rate of 9 per cent per annum, in account current as stated in the demand form bearing the same number as this engagement; and I, or we, agree that from the first payment made by me, or us, to the government the amount due shall be deducted before payment of the tax.

In case the payment of the tax and repayment of the advance is delayed the government shall have full right to seize and sell my, or our, crops to the value of the amount due, and I, or we, further bind ourselves not to sell nor dispose of the whole or any part of our land until payment of the whole amount due to the bank.

For further security I, or we, have mortgaged to the Agricultural Bank of Egypt the land described in the demand form.

(Signature or seal.)

AGRICULTURAL BANK OF EGYPT.

(No. 8.)

Form of pay order for "B" loans.

Pay order addressed by the head office of the Agricultural Bank of Egypt, Cairo, to, agent of the above bank, district, (date)

Please pay to the following persons the amount placed against each name; total, £.....

Number.	Name of applicant.	Village.	Amount to be paid.	Expenses (deducted from total of loan to give amount in previous column).	Notes.
		Total			

THE AGRICULTURAL BANK OF EGYPT,
....., Manager,

AGRICULTURAL BANK OF EGYPT.

(No. 9.)

Form of register of "B" loans kept by bank's agents.

List of "B" loans.—Province, District

Number.	Name of applicant.	Name of village.	Amount of land owned.	Amount of land to be mortgaged.	Amount of loan.	Costs of mortgage.	Amount paid to applicant.	First installment.	Second installment.	Third installment.	Fourth installment.	Fifth installment.	Total repayment.	Date of application.	Date of mortgage.	Date of pay order.	Date of payment.	Notes.

(No. 10.)

Form of registers of "A" loans kept at the head office of the bank.

Capital.	Interest.	Date of payment.	Total amount due.	Arrears.	Village.	Name of borrower.	No.

(No. 11.)

Form of register of "B" loans kept at the head office of the bank.

190...

Capital.	Expenses of mortgage.	Amount paid to mortgager.	Interest charged for 190...	Total amount due.	Date of payment.	Total repaid.	
						Capital.	Interest.

Capital.	Interest charged for 190...	Arrears of interest.	Total amount due.	Total repaid.		Village.	Name of mortgager.
				Capital.	Interest.		

AGRICULTURAL BANK OF EGYPT.

(No. 12.)

Form of list of recoveries made by government tax collectors.

List of collections of loans effected by the tax collector of the village of, district, province, in the month of, 190.....

Category (A or B).	No.	Name of applicant.	Amount to recover.	Amount recovered.	Balance still due.	Notes.

EXHIBIT D.

PROVISIONS OF THE CODE OF COMMERCE CONCERNING MORTGAGE AND AGRICULTURAL BANKS.

SECTION ELEVEN.

MORTGAGE LOAN ASSOCIATIONS OR BANKS.

ART. 199. The following shall be the principal transactions of these associations or banks:

1. To make loans on real estate on time.
2. To issue mortgage bonds and certificates.

ART. 200. Loans shall be made on mortgages of real estate, the ownership of which is recorded in the registry in the name of the person creating said mortgage, and shall be repaid in annual payments.

The mortgage certificates of mortgage banks shall bear stamp of 10 centimos, which shall be placed on the original and on the stub, according to article 158 of the law of September 15, 1892.

ART. 201. These associations and banks can not issue bonds nor certificates to the bearer during the time the privilege actually enjoyed by virtue of special laws by the Mortgage Bank of Spain continues.

ART. 201. (Cuba, Porto Rico, and the Philippines.) The power to issue bonds and certificates payable to bearer, referred to in the second paragraph of article 199, will not modify the concessions made by the government in favor of other associations or banks, in accordance with the royal decree of August 16, 1878.

ART. 202. Loans made to provinces and to towns are excepted from the mortgage required by article 200 when said provinces or towns are legally authorized to contract loans within the limit of said authorization, and provided the repayment of the capital loaned, together with interest and expenses, is assured by revenues, taxes, capitals, or surtaxes, or special imposts.

Loans to the state are also excepted, which can be made, furthermore, on promissory notes of purchasers of national property.

Loans to the state, to provinces, or to towns may be repaid within a period of less than five years.

ART. 203. In no case may loans exceed half the value of the property on which the mortgage is to be created.

The basis and manner of appraising the real property shall be fixed exactly in the by-laws or regulations.

ART. 204. The amount of the coupon and the rate of amortization of mortgage certificates which are issued by virtue of a loan shall never exceed the amount of the net annual profits which the real estate offered and taken in mortgage as security for the said loan produce on an average during the five years. The computation shall always be made with relation to the loan, the income of the property mortgaged,

and the annual premium of the certificates issued by virtue of said mortgage. This annuity may at any time be less than the net income of the respective real estate mortgaged as security for the loan and for the issue of the certificates.

ART. 205. When the real estate mortgaged diminishes in value by 40 per cent, the bank may request the increase of the mortgage in order to cover said depreciation, or the annulment of the contract, and the debtor shall choose between these two measures.

The provisions of this article and those of article 206 are suspended in the peninsula and adjacent islands as a consequence of the privilege established in article 201.

ART. 206. Mortgage loan banks may issue mortgage certificates to an amount equal to the total value of the loans on real estate.

They may, furthermore, issue special obligations for the amount of the loans to the state, to provinces, or to towns.

ART. 207. The mortgage certificates and special obligations treated of in the foregoing article shall be payable to order or to bearer, with or without amortization, for short or long periods, with or without premium.

These certificates and obligations, their coupons and the premiums, shall be the basis for an execution in the manner prescribed in the law of civil procedure.

With regard to the procedure to be pursued in order to obtain the cash value of the mortgage certificates, obligations, etc., see Title XV of the Law of Civil Procedure, articles 1429 to 1543 for the peninsula, 1427 to 1478 of that for Cuba and Porto Rico, and 1411 et seq. of that for the Philippines.

ART. 208. The mortgage certificates and special obligations, as well as their interest and coupons, and the premiums assigned to them, shall be secured, with preference over all other creditors or obligations, by the credits and loans in favor of the bank or association which may have issued the same and which represent said credits and loans, being therefore jointly and severally liable for the payment thereof.

Without prejudice to this special guaranty, they shall enjoy the special guaranty of the capital of the association, also with preference in regard to the latter over the credits resulting from other transactions.

ART. 209. Mortgage-loan banks may also make loans secured by mortgage, repayable in a period of less than five years.

These loans at short time shall be without amortization and shall not authorize the issue of mortgage obligations or certificates, and must be made from the capital of the common funds and from the accrued profits.

ART. 210. Mortgage-loan banks may receive, with or without interest, deposits and employ half thereof in making advances for a period not to exceed ninety days on their mortgage obligations and certificates, as well as on any other deeds which banks of issue and discount receive as security.

In case of default in payment on the part of the person who secured the loan, the bank may demand the sale of the certificates or deeds given as security, in accordance with the provisions of article 323.

ART. 211. All combinations for mortgage loans, including mutual associations of landowners, shall be subject, in so far as the issue of mortgage certificates and obligations is concerned, to the rules contained in this section.

SECTION TWELVE.

SPECIAL RULES FOR AGRICULTURAL BANKS AND ASSOCIATIONS.

ART. 212. The following shall be the principal transactions of these associations:

1. To make loans in cash or in kind, for a period not to exceed three years, on products, crops, cattle, or other special pledges or securities.

2. To guarantee with their signature promissory notes and paper demandable within a period not to exceed ninety days, in order to facilitate its discount or negotiation to the owner or farmer.

3. Other transactions, the purpose of which is to favor the breaking or improving of ground, draining of lands, and the development of agriculture and other industries related thereto.

ART. 213. Agricultural loan banks or associations may have agents outside of their domicile who may personally answer for the solvency of the landowners or tenants who request the assistance of the association, placing their signature on the promissory note which said association is to discount or indorse.

ART. 214. The guaranty or indorsement placed by these associations or their representatives, or by the agents referred to in the foregoing article, on the promissory notes of the landowner or farmer shall entitle the bearer thereof to demand their payment directly and to obtain an execution on the day any of the subscription falls due.

ART. 215. The promissory notes of the landowner or farmer, be they either held by the association or negotiated by the same, shall, when they fall due, give rise to the execution which may be proper, in accordance with the law of civil procedure, against the property of the landowner or farmer who may have subscribed them.

According to No. 5 of article 1429 of the Law of Civil Procedure in force in the Peninsula (1427 of that for Cuba and Porto Rico and 1411 of that for the Philippines).

ART. 216. The interest and commission which the agricultural loan associations and their agents or representatives are to receive shall be unrestrictedly stipulated within the limits fixed by the by-laws.

ART. 217. Agricultural loan associations can not devote to the transactions referred to in paragraphs 2 and 3 of article 212 more than 50 per cent of the common capital, applying the remaining 50 per cent to the loans referred to in No. 1 of the same article.

EXHIBIT E.

STATUTE OF THE EAST PRUSSIAN LANDSCHAFT.

[Quoted from translation contained in The Report Regarding the Possibility of Introducing Land and Agricultural Banks into the Madras Presidency. (Volume II, pages 6 to 9)].

STATUTE OF THE PRUSSIAN LANDSCHAFT. (LAND BANK.) (FOUNDED IN 1788.)

DEBENTURES.

* * * * *

5. The bank's debentures are debt bonds issued by the bank against the mortgages held by it on properties mortgagable (sec. 23) to the bank.

The total amount of such issue shall at no time exceed the total value of the outstanding mortgages held by the bank.

All debentures are to bearer, and shall be governed by the rules of this statute.

The holders of debentures can not claim (at will) the repayment of the value of their debentures, but the bank can call in and repay such debentures at any time upon six months' notice.^a

6. (The interest is fixed at 3½ per cent per annum, with leave to the general committee to issue at other rates from 3 to 4½ per cent.)

7. The interest payable by the bank's borrowers shall be the same as that payable by the bank on its debentures, and shall be paid half-yearly.

8. The bank must pay the interest on its debentures without delay or cost to the holders on presentation of the interest coupons. The debenture holders have no connection with the borrowers from the bank, to which alone the holders must look for the satisfaction of their claims.

9. Besides interest and sinking fund (sec. 178) the borrowers must pay to the bank the amount fixed by the general meeting for covering the costs of administration. Any changes in the rate of such contribution require royal confirmation.

10. The bank is authorized to collect all its legal claims from its mortgagors (debtors) without any court proceedings and by the coercive processes allowed to it.

^aThat is, although all such debentures are repayable gradually and completely within a certain period under the operation of a sinking fund, the holder of any particular debenture can not demand at pleasure such repayment; he must wait till it is drawn or till the bank calls it in. On the other hand, the bank has the power of repaying any debenture at any time on notice.

As the debentures are excellent investments and are all issued to bearer, a holder in want of his money simply sells his debenture in the market.

The coercive processes special to the bank are—

- (1) The distraint of all movables including claims due (to the debtors) by their debtors;
- (2) Attachment of the estate;
- (3) Forced sale of the estate.

Distraint is made according to the rules for administrative coercive process. The general board is the authority for ordering and conducting coercive process.

11. The courts are bound to take into consideration the registered debt due to the bank when a property mortgaged to the bank forms an item in the schedule of a bankrupt's property, or is the object of coercive attachment or sale. The bank is entitled in cases where such property is under its management to be recouped as a first charge in the actual costs of such management and of any costs of restoration (to a good condition), as also in any arrears of interest, and to claim such dues in priority to other creditors out of the sale price. Only after the bank has been satisfied (in such matters) shall the surplus income or sale price be divided.

12. (Debtors in arrears must pay at the rate of 5 per cent per annum on all advances made by the bank to debenture holders and others, on account of such arrears. If such advances are borrowed by the bank, the debtor is bound by the terms agreed upon with the bank's creditor. In case of these advances the bank's debtor must give and register security to the amount of 0.5 per cent of his original loan.)

13. The holder of a debenture is entitled to punctual payment of interest, and of the principal when the debenture is publicly drawn for payment.

14. Debenture holders have, as their security for the payment of interest and principal and of any other claims under this statute—

(a) The bank and all its funds, and, above all, the whole mass of mortgage claims held by the bank;

(b) The general guaranty of (1) all the properties mortgagable to the bank (all *bepfandbriefungsfähigen Landgüter*) by the law of 1808, whether mortgaged or not, within its area of operation; (2) all other landed properties (e. g., peasant (*bauerliche*) section 23 a) actually under mortgage to the bank; (3) all urban properties which by entry in the land register (*Grundbuch*) are subject to the general guaranty.

15. The registered mortgages held by the bank are exclusively assigned as security for the debentures and can in no wise be made answerable for the dues payable to any other creditors of the bank.

16. All debentures have equal privileges.

17. Debentures against a specified property shall no longer be issued.^a

18. The total amount loaned upon a property shall never exceed two-thirds of its value as appraised and determined.

19. Should a mortgaged property be split up or be so badly managed as to deteriorate, or suffer loss of its stock, or the dilapidation of

^aThis marks the great change in the land-bank system. The bank was at first a mere intermediary between a creditor and a particular debtor; the debentures were issued against and actually specified particular properties and loans, and the unpaid creditor had his claim against such property. Subsequently the bank became a genuine credit bank, issuing debentures merely against the mass of its mortgages and other assets, and excluding any direct connection between a debenture holder and a particular debtor.

its buildings, or be cleared of its timber, or should the buildings not be properly insured, the bank may either require the immediate payment of a corresponding part of its loan, or may, on three months' notice, call in the whole loan, and may, without preliminary proceedings, enforce its claims by attachment or sale. The bank may, in case its security appears for any of the above reasons to be endangered, proceed without notice to attachment and management of the property.

(Other paragraphs provide for calling in part or the whole of the loan in case the property is entered in an association, even for land improvements, which is burdened with charges or demands which may endanger recovery of the bank's claims; also that the mortgagor shall inform the bank of any sale of its stock to a tenant, and, if necessary, shall give security. In case of receiving no such notice the bank may proceed as in paragraph 1.)

20. The bank is entitled to inspect the registration books and land records relating to properties within its area of operations and to take extracts therefrom gratis; it is also entitled to demand simple or certificate copies.

21. The mortgages must not be preceded in the registration books by any prior mortgage or other obligation which would lessen the interest of the bank in the property or in its proceeds.

The candidate for a loan must prove that prior mortgages have been redeemed, or must obtain the cession of such mortgages to the bank, or must arrange that the bank shall have priority over all other registered entries, before debentures can be issued.

* * * * *

23. Loans may be granted on the following properties: (a) All properties within the area of operation, including royal domains and forests, bearing an estimated value of at least £75. Properties defined in section 14 b. (2), (i. e., peasant properties) must be possessed in full ownership without incidental servitudes (i. e., apparently, without owing any feudal dues or duties to over-lords); (b) (certain urban properties with buildings of the value of at least £750); (c) (certain other urban properties worth at least £75). All proprietors of the class mentioned in section 14 b. (2) (peasant), who obtain credit from the bank, are subject without further or express declaration, to the conditions of the statute, and are charged with the guaranty mentioned in section 14.

* * * * *

THE OFFICIALS OF THE BANK.

31. The business of the bank shall be carried out under the general supervision of a Royal Commissioner as president of the bank and according to the resolution and under the control of the general meeting as elected by the circle meetings, through (1) the general board; (2) the valuation committee; (3) the full committee (Plenar-Kollegium); (4) the audit committee.

* * * * *

33. All officials of the bank are indirect public officials. They must take oath on appointment.

* * * * *

37. A commissioner or president appointed by His Majesty shall be placed at the head of the bank, his special care shall be that the foundation principles of the system shall be strictly observed by all concerned, and that not the least infraction of duty toward the King and the constitution of the country shall be admitted.

He is also entitled to preside, when he thinks necessary, at all the bank's meetings and committees without exception, and to expect and demand detailed reports. This right especially belongs to him with reference to the general meeting and the general board. He is also especially entitled, whenever he thinks necessary, to institute examinations of the cash and audit of the accounts, and he must particularly see that proper regulations are issued and obeyed by all the departments of the bank.

38. The departmental authorities of the bank are public departments with the rights mentioned in the general law, section 114 ff, Part II, Chapter X.

All documents issued in their official capacity have the status of public documents. No suit lies (*findet der Rechtsweg nicht statt*) against resolutions issued in their official capacity.

* * * * *

THE AUDIT COMMITTEE.

89. This committee consists of three members and as many deputies who shall be appointed for three years by the ordinary general meeting.

90. Its duty is the annual final revision of the whole of the bank's accounts, including the audit of the bank's work for the year, which is to be made before the ordinary general meeting. This committee meets once a year, as soon as the settlement of accounts for the past business year has been completed by the office. The accounts must be placed in complete condition for audit with all vouchers and notes.

* * * * *

THE ENFORCING OF THE BANK'S ORDERS.

107. Every proprietor of an estate belonging to the credit association is bound to submit to all such orders of the several departments of the bank as relate to the due maintenance and execution of the provisions of this statute, especially as regards orders of the general board to undertake inquiry into estates which have deteriorated, and the representation of circle deputies when they are prevented from making valuations of properties.

This rule is applicable also to the occupants of mortgaged estates and to tenants of the same, especially to lessees under the circumstances mentioned in sections 164 and 165 (relating to the leasing of estates under attachment).

108. The authorities of the bank are entitled to enforce obedience to their orders by fines which they may themselves impose and which they may collect by coercive process without the intervention of a court, or by such other coercive means, including the attachment of estates, as may seem good to them.

All courts are bound promptly and without objection to assist the bank in such cases.

109. Should these means not succeed in inducing the parties concerned to do their duty, the general board is entitled to demand repayment by them of their loans, and for this purpose, should threats prove unavailing, to proceed in the last resort to the forcible sale of the mortgaged property. Such sale must be carried out by the court having jurisdiction without previous inquiry.

110. Should the offender be dissatisfied with the action of the general board (sections 108 and 109) he can make a complaint to the general meeting, the decision of which shall be final.

On complaint being made, execution of the penalty shall be postponed unless such penalty be a mere fine.

THE COLLECTION OF OUTSTANDING INTERESTS.

149. On the expiry of the date fixed for payment of interest a list of arrears shall be drawn up in full detail, and a notice shall be sent direct to the debtor that coercive process will issue.

150. On the expiry of the time mentioned in the notice the general board will proceed to coercion, at first against the movable property of the debtor.

The debtor can not, in such case, raise the objection that the creditor must first seek his remedy against the estate.

Only such articles of the stock of the estate shall be sold as are not necessary for its working.

151. Should the proceeds of the distrained property not cover the arrears with the cost of distraint, or should the general board consider it advisable with reference to the amount of arrears or other circumstances to abstain from distraint, proceedings may be taken for the attachment or sale of the property.

152. Should the board decide to attach the estate it must, as a rule, appoint for that duty the councilor in whose circle the estate is situated. In exceptional circumstances another councilor or a circle deputy may be appointed.

One of the bank's legal advisors, or in his absence a judge, must always assist at such attachment.

* * * * *

168. (3) The courts are bound, on the request of the general board, to proceed to sell an estate without previous inquiry.

EXHIBIT F.

STATUTE OF THE NEW WEST PRUSSIAN LANDSCHAFT.

[Quoted from translation contained in the Report Regarding the Possibility of Introducing Land and Agricultural Banks into the Madras Presidency. (Volume II, pages 9 to 11.)]

STATUE OF THE NEW WEST PRUSSIAN LANDSCHAFT.

1. A credit institution entitled "The New West Prussian Landschaft" is hereby established for the proprietors of estates excluded from the "West Prussian Landschaft Association" in the districts of Marienwerder and Danzig.

It shall be represented and managed by the general board of the West Prussian Landschaft, with the proviso that such relationship may be dissolved.

LOANS.

2. The bank will grant mortgage loans to such of the above landholders as enter the association. Funds for such purpose will be found by the issue of debentures called "New West Prussian Debentures;" these shall be made out to bearer, and shall carry an annual interest of 4 or 4½ per cent.

3. For entry to the association, and for the receipt of loans only, such estates are admissible as (a) do not belong to the West Prussian Landschaft Association; (b) are held in full ownership; (c) are worth, upon valuation by the bank, at least £225; (d) and (e) relate to peculiarities of German land tenure.

* * * * *

5. Loans may not exceed in amount half the estimated value of the property.

* * * * *

8. A borrower must undertake the following obligations: (a) To pay, in two half-yearly installments, an annuity of 4½ or 5¼ per cent, according as the debentures (representing the loan) were issued at 4 or 4½ per cent; (b) to pay toward a working capital (section 27) 1 per cent on the loan amount at the issue of the debentures; (c) to repay the loan principal, in whole or in part, upon six months' notice in the cases mentioned in section 15 *infra*; (d) in case of arrears to pay, as penal interest, 5 per cent upon such arrears for the quarter in which the payment fell due; (e) especially to submit to the conditions of this statute.

* * * * *

12. The annuity shall be allotted as follows: (a) Four or, as the case may be, 4½ per cent as interest upon the debentures; (b) one-half of 1 per cent to the accumulation of the insurance and sinking fund

respectively (eines Sicherheits und resp. Amortisations-(Tilgungs-) Fonds); (c) one-fourth of 1 per cent for the defrayal of the charges of administration.^a

* * * * *

14. The bank shall, upon the occurrence of arrears, issue its demand for such arrears and for the penal interest due thereon, and shall subsequently proceed against the movables of the debtor, or to the attachment and sale of the land by the courts having jurisdiction.

The debtor can not demand that the bank shall in the first place proceed against the estate, nor can he object to the simultaneous carrying out of the attachment and sale of the estate; still less can he claim any delay.

At the auction of an estate the bank can, for the avoidance of any loss, itself buy it in without special authority from government; in each case, however, it must resell the estate within three years.

15. The bank has the right of requiring the repayment of its loan at six months' notice: (a) When the mortgage estate shall have so decreased in value that it is no longer worth £225; partial repayments may be demanded in the case of other diminutions in value; (b) when the proprietor fails to make his bounden payments to the bank punctually; this right ceases when the arrears and all costs are paid up; (c) when the proprietor is unable to prove that he has regularly paid the public dues upon his estates; (d) when the estate comes under attachment or public sale (subhastation); (e) when the proprietor manages his estate so badly that, on the examination of two commissioners, a serious deterioration of the estate and a danger to the bank's security are evident, and the proprietor fails to remedy the defects found according to the orders of the directors and within an appointed time; (f) when the borrower fails according to the condition of section 11 to insure his buildings, stock, and stores against fire; (g) when the borrower does not meet his obligations in the matter of his loan contract as mentioned in section 3; (h) when he refuses to undertake the office of bank commissioner upon due election or nomination unless he has already served as such.

16. Properties under mortgage are subject to the inspection of the bank commissioners of the circle in so far as there may appear acts or omissions or other circumstances which may endanger the security of the loans or of the interest thereon.

* * * * *

THE FUNDS OF THE BANK AND THEIR MANAGEMENT.

27. *Working capital.*^b—The working capital shall be accumulated from the 1 per cent deducted made from all loans at the time of issue, as provided in section 8-b. This capital is the property of the bank,

^a1. It will be noticed that these banks are managed most economically, and therefore with the least possible cost to the borrower. An annual charge of 0.25 per cent on the loan, and a lump payment (8 (b)) of 1 per cent at the issue of the loan, suffices for the whole cost of administration, and for the accumulation of a small cash capital for immediate and current expenses. It is the absence of a share capital with dividends and the adoption of the mutual principle, together with the enforced and but slightly paid for services of the various members, that bring about the result.

2. This is not a working capital in the sense of a capital by which the business of a bank is carried on or loans granted, but merely a fund from which cash expenses salaries, etc., are provided.

^b See note 2 above.

and shall furnish funds for unavoidable outlays (not otherwise provided for).

The select committee is especially charged with the employment of this fund.

28. *Insurance fund*.—The insurance (guaranty) fund is accumulated (a) from 0.75 per cent, which the borrowers pay in excess of the interest due to the debenture holders, and 0.25 per cent as costs of administration, for seven years from the grant of the loan; (b) from the penal interest on arrears; (c) from the proceeds of expired (unclaimed) interest coupons; (d) from any extraordinary receipts; (e) from interest on the fund itself.

29. The insurance (guaranty) fund is formed to cover any losses of capital or interest which are not covered by the share of the proprietor of the estate in question (which has caused the loss) in the sinking fund (tilgungsfonds).

It is the own property of the association, and outgoing members are not entitled to any repayment of any portion thereof.

30. *Sinking fund*.—The sinking fund is accumulated from the proceeds of the annual 0.75 per cent mentioned in section 28 (a), which the borrowers pay to such fund after the expiry of seven years from the grant of the loan, together with the interest accruing on the fund. This fund is the property of the owners of the mortgaged estates, and (so far as the contributions of such estates are concerned) is de jure an appurtenance of the estates.

* * * * *

MANAGEMENT OF THE BANK.

This section provides that the statute and working rules of the West Prussian Landschaft shall serve for the new bank except in so far as the present statute alters them.

1. Appendix No. II to the statute provides rules for the issue of Series No. II of debentures. Rule 1 is similar to section 12 of the statute, but subsequent royal ordinances permit the issue of debentures at 3 and 3½ per cent.

2. The insurance (guaranty) fund is placed under the conditions of section 29 of the statute. It is composed from the following contributions: (a) 0.5 per cent annually, as mentioned in rule 1, until the fund reaches 5 per cent of the debentures issued to the respective borrowers; (b) half of such interest on debentures as has not been claimed within four years; (c) penal interest on arrears; (d) all extraordinary receipts.

3. The 0.5 per cent above mentioned as part of the annuity shall be credited to the sinking fund and ledgered against each borrower as soon as it is no longer required for the insurance fund.

* * * * *

5. The holder of debentures of Series II has the right—(a) to the punctual payment of his interest; (b) to the payment of his principal in cash when publicly drawn.

Should the bank fail to satisfy his claims he is entitled to seek satisfaction by the ordinary legal methods against the bank—(a) first of all from the insurance (guaranty) fund; (b) next from those mortgages against which the bank has issued debentures; (c) subsidiarily from the

sinking fund with reference to the debenture of Series II issued against particular estates.

So long as the insurance fund shall not have reached the amount of 5 per cent of the pending debentures, the debenture holder has further the right to seek satisfaction—

(d) from the old insurance fund, but without prejudice to the rights already acquired therein by holders of debentures of the first series.

The valuation rules of this association are particularly minute and too lengthy for translation here, while their chief interest would be the secondary one of showing the very moderate amount of loan obtainable per acre and the extreme care with which the bank safeguards its loans, by demanding the most scrupulously minute inquiries. The inability of such banks to reach the small peasant is fully accounted for by the necessity, gained from experience, for such rules.

EXHIBIT G.

FRENCH LAW RELATING TO SOCIETIES FOR THE GRANT OF LAND CREDIT.

[Quoted from translation contained in the Report Regarding the Possibility of Introducing Land and Agricultural Banks into the Madras presidency. (Volume II, pages 14 to 18.)]

LAW RELATING TO SOCIETIES FOR THE GRANT OF LAND CREDIT (FRANCE), FEBRUARY 28, 1852.

CHAPTER I.—*Land credit societies (land banks).*

1. Land banks, which are founded with the object of enabling proprietors who borrow on mortgage to repay the mortgage amount by means of long-term annuities, may be authorized by decree of the president of the republic after consultation with the council of state. On such authorization they shall become possessed of the rights and be bound by the rules of the present law.

2. The above authorization may be granted either to societies of borrowers or to societies of lenders.

3. The operations of the banks shall be limited to the area fixed by the decree of authorization.

4. Land banks have the right of issuing debentures.

5. In order to assist the early operations of the banks, the state and departments (districts) may invest in a certain quantity of such debentures. The budget shall annually settle the maximum to be invested by the treasury in this manner; such amount shall be divided among the banks as determined by their respective decrees of authorization. The same decree shall determine what share shall be received by each bank of the sum of £400,000 set apart for the establishment of land banks.

CHAPTER II.—*Loans made by land banks.*

6. Land banks may only lend on first mortgage (with a certain exception of no general importance). Loans by which all prior creditors are paid off both as to capital and interest are considered as first mortgages. In case of such loans the bank shall retain in its own hands so much as will effect the above payments.

7. No loan shall, in any case, exceed one-half of the value of a property; the articles of each bank shall determine the minimum loan to be granted.

8. * * *

If any claim is registered during the period allowed, the provisional-loan deed will be held null and void.

9. * * *

10. Borrowers shall repay their debts by annuity, but shall always possess the right of repayment in advance either in full or in part.

11. The annuity shall of necessity comprise (1) the interest agreed upon, which shall not exceed 5 per cent; (2) the sum allotted as sinking fund; (3) (a contribution toward) the cost of management, together with such charges as are fixed by the articles of the bank.

12. In case of nonpayment of the annuities the bank may, in addition to its rights as creditor under the general law, have recourse to the methods of recovery contained in Chapter IV, *infra*.

CHAPTER III.—*Debentures issued by land banks.*

13. The (land mortgage) debentures or bonds of land banks shall be to order or to bearer. Debentures to order are transferable by mere indorsement, without other guarantee than that provided by section 1693 of the Code Napoleon.

14. The aggregate value of the debentures issued shall not exceed that of the loans granted. (They must be countersigned by the governor of the bank; law of 6th July, 1854) and shall be registered at a fixed rate of 10 centimes (1d.) each.

15. No debenture shall be issued of less value than £4.

16. The debentures shall bear interest. In the course of each year debentures shall be redeemed to the value of the sums paid in toward the sinking fund.

17. The holders of debentures can recover their principal and interest only by proceeding against the bank itself.

18. No attachment is valid against the payment of either the capital or interest (of the debentures), save only in case of the loss of a debenture.

CHAPTER IV.—*Privileges granted to land banks for the safety and recovery of their loans.*

A.

19. For the postponement of known claims at law a notice containing an extract from the mortgage deed executed in favor of the bank shall be served: (a) upon the woman and her husband; (b) upon the guardian or substituted guardian of the minor or incapable; (c) upon the minor freed (from wardship) and his trustee; (d) upon all unregistered creditors possessed of a claim at law.

20. (Particulars of the mortgage contract are to be entered in the notice.)

It shall, moreover, contain a notice that if desired that such claim shall maintain its priority as against the bank, it must be registered within fifteen days from the date of the notice, with an allowance for distance.

21 to 23. (Precautions to be taken in serving the notice where the woman is the wife of the person obtaining the loan, or when the borrower is a guardian of a minor, etc.)

24. For the postponement of unknown claims at law, an extract from the mortgage deed must be sent to the government pleader of the court of the taluk (arrondissement) in which the borrower is domiciled and of that in which the property is situated.

The extract shall also be inserted, with a note that the above notices have been sent, in one of the newspapers appointed for publishing the judicial notices of the taluk in which the property is situated.

Registration (of any unknown charges) must be made within forty days of the above advertisement.

25. The postponement takes effect in default of any such registration within the periods fixed by the above sections.

Such postponement gives to a land bank priority over claims at law.

But such postponement shall not benefit third parties, who remain subject to the formalities prescribed by sections 2193, 2194, and 2195 of the Code Napoleon.

B. RIGHTS AND MODES OF EXECUTION BY A BANK AGAINST BORROWERS FROM IT.

26. The courts shall not grant any postponement of the payment of annuities.^a

27. The payment of annuities shall not be stayed by any attachment.^b

28. Annuities not paid at due date bear interest de jure.

The bank may, moreover, proceed to the attachment and sale of the property mortgaged in the manner and under the conditions prescribed by the following sections.

29. *Attachment.*—When a debtor is in arrears, the bank may, by means of an order which shall, on its request, be made by the court of first instance (having jurisdiction), and within fifteen days of service of such order, take possession of the mortgaged property at the risk and cost of the defaulter.

30. During such attachment the bank shall collect, notwithstanding any (other) attachment or distraint, the whole of the proceeds or produce (of the property), and, by (special) privilege, shall apply the same to the clearance of all annuities and costs due up to date.

This privilege takes rank immediately after those enjoyed on account of the expenses of maintaining the property, the wages of labor and of sowing the crops, and the rights of the treasury for the collection of the taxes.

31. In case of dispute regarding the balance sheet of an attachment, the matter shall be decided by the court summarily.

32. *Eviction and sale.*—Whenever an annuity is in arrears and whenever by reason of the deterioration of an estate or for any other cause mentioned in the articles, the repayment of the principal (of a loan) may be demanded, the sale of the immovable property (under mortgage) may be proceeded with.

If objection is raised thereto, the matter shall be decided as a summary suit, by the court in the jurisdiction of which the property is situated. The judgment in such suit shall not be subject to appeal.

33. In proceeding to the sale of an immovable, a land bank shall issue to the defaulter a demand notice (commandement) in the form prescribed by section 673 of the civil procedure code. This demand

^a Since the interest on debentures has to be paid by the bank to the very day, it is equally necessary that the bank should be paid by its debtors with similar punctuality. Hence not even the courts can grant a debtor any privilege in the way of postponement of dues or payment of the annuities by installments, etc. This provision modifies the general law (section 1244, civil code) by which the judges can grant moderate delays.

^b This is a large privilege, by which the bank obtains a certain precedence for its dues when once established by the contract deed. No creditor or claimant, not even a decreeholder, whether of the bank or of the borrower, can attach an annuity on its way to the bank.

notice shall be registered in the office of the registration area in which the property is situated.

In default of payment within fifteen days, three advertisements, with at least ten-day intervals, shall, within the six weeks following the above registrations, be made in certain newspapers as provided in section 42 of the code of commerce, and two notices shall, at fifteen-day intervals, be affixed (a) in the court room (auditoire) of the court where the sale is to take place, (b) at the door of the office of the mayorality in which the property is situated, and (c) on the property when it is a building.

The first affixture of the notice is communication within eight days to the defaulter and to registered creditors at their place of domicile with a summons to take service of the notice of the conditions of sale.

Fifteen days after the execution of these formalities the auction sale may be proceeded with in the presence of the defaulter or, after he has been duly notified, before the court within whose jurisdiction the property or the larger part thereof is situated.

The court may, if moved by the bank before the appearance of the first advertisement, order that the sale shall take place either before another court or at the office of a notary of the canton or taluk (arrondissement) in which the property is situated. This order is not open to appeal, nor can any objection be raised (to the proposal of the society) save within three days plus an allowance for distance after due notice given to the defaulter.

34. From the date of registration of the demand notice (section 33), the defaulter shall not be able to alienate the mortgaged property to the prejudice of the bank, nor burden it with any real charges.

35. The demand notice, the copies of the newspaper containing the advertisements, the memorandum attesting the affixture of the notices, the summons to take service of the list of conditions of sale and to be present at such sale, shall be annexed to the sale proceedings (procès verbal).

36. Any objections or pleadings must be entered on the memorandum of conditions at least eight days before that fixed for the sale. Such notice of objection must appoint a solicitor.

The court shall take cognizance of any objection upon due exchange of notices between solicitors. It will decide the matter on a summary inquiry, but such inquiry shall not postpone the sale.

37. If, at the registration of the demand notice (section 33), there shall be in actual existence a prior attachment made on demand of another creditor, the land bank may, after simple notice to the solicitor of such creditor, and provided that the memorandum of sale conditions has not been already deposited (in court by the other creditor), proceed to sale in the manner provided by the preceding articles.

If the memorandum of the sale conditions has been already deposited prior to the registration by the bank of its demand notice (section 33), the bank shall not enjoy the privilege of being substituted for (of preceding) the attaching creditor.

No postponement of the sale shall be allowed if the bank objects thereto.

In case of any negligence on the part of the bank the attaching creditor may resume his right of proceeding (to sale).

38. Within eight days of the sale the purchaser is bound to pay to the bank provisionally the amount of the annuity due.

After the period allowed for further bidding has elapsed the balance of the purchase money shall be paid over to the bank up to the full amount due to it, notwithstanding any attachments, objections of registered claims by creditors of the defaulter; provided, however, that such creditors shall have the right to sue for recovery of any excess (en repetition) should the bank have been unduly paid to their prejudice.

39. If the property has been sold by lots, or if there are several purchasers without joint interest, each purchaser is only bound as regards the bank up to the amount of his bid.

40. * * *

41. * * *

42. All rights granted in the present chapter may be exercised against third persons in possession of the property after due service of the demand notice (section 33) on the defaulter.

Proceedings begun against a defaulter are valid as continued against him until any third parties to whom the defaulter may have alienated the property shall have given notice to the bank of such alienation. In such case proceedings shall continue against such third parties.

CHAPTER V.—*General.*

43. (Treats of the supervision of land banks.)

44. Banks are forbidden to undertake any business other than that prescribed by the present law.

45. Banks may deposit their disposable funds in the treasury on conditions to be laid down by Government.

46. The funds of incapacitated persons and of communes may be invested in land bank debentures. So also may be invested disposable funds belonging to public institutions, or institutions of public usefulness, in all cases in which such institutions are entitled to invest their funds in Government paper.

47. * * *

48. The articles of a bank to be approved under section 1 *supra* must particularly mention—(1) the mode of valuing properties; (2) the nature of properties not admissible on mortgage, and the minimum loan which may be made on each class of (admissible) property; (3) the maximum loan which may be granted to a single borrower; (4) the tables for the calculation of annuities; (5) the method and conditions for payments in advance; (6) the interval between the payments made by borrowers and the payment of interest by the bank; (7) the mode of issuing, recalling, and repaying debentures whether with or without premia (bonuses) and the method to be adopted for canceling redeemed debentures; (8) the building up of a guaranteed or reserve fund; (9) the conditions which shall lead to dissolution, and the methods and conditions of liquidation; (10) the security and other guaranties to be demanded from the managers and other employees, as also the mode of their appointment.

49. * * *

EXHIBIT H.

ARTICLES OF THE "CREDIT FONCIER OF FRANCE."

[Quoted from translation contained in the Report Regarding the Possibility of Introducing Land and Agricultural Banks into the Madras Presidency. (Volume II, pages 18 to 24.)]

ARTICLES OF THE "CREDIT FONCIER OF FRANCE."

CHAPTER I.—*General.*

1. The bank takes the name of the "Credit Foncier de France."

Its objects are as follows:

(1) To make to the owners of immovable property mortgage loans either over a long term by annuities or over a short term by annuities or in lump;

(2) To issue and circulate land mortgage debentures (obligations foncières or letters de gage) to an amount not exceeding that of the sums due to the bank by its borrowers.

It may, with the sanction of Government, make use of any other system with the object of facilitating loans on immovable property, of improving the soil, of developing agriculture, and of extinguishing the (existing) debt on immovable property (ladette foncière).

The bank may treat with French or foreign assurance companies with the view of facilitating the liberation of borrowers (from debts to such companies).

In no case, whatever be the origin or nature of the funds available, shall the bank do any business, whether in the form of purchases or repurchases, advances or renewals, on paper other than land mortgage or communal debentures or on paper accepted by the bank of France as security for advances.

The bank is prohibited from buying or making advances upon its own shares.

2. The bank may receive deposits at interest or without; the total of such deposits shall not exceed £4,000,000.

Deposits shall be invested as follows:

(1) One-fourth at least in account current with the treasury at such rate of interest as shall be fixed by the finance minister; a larger proportion may be similarly with his consent. Securities to the above value may be deposited instead of cash, if accepted by the minister.

(2) The balance in Government paper or treasury bonds, or in advances for terms not exceeding ninety days on the security of debentures issued by the Credit Foncier or of securities as accepted by the Bank of France for advances, or, finally, in bills of at most ninety days, bearing at least two good signatures and made out to the order of the bank.

CHAPTER II.—*Capital and shares.*

4 to 7. (The capital is fixed at present at £6,820,000 in 341,000 shares of £20 each, but may be increased to £8,000,000, when one-fourth at least shall be invested in Government paper; the capital shall be maintained at a sum equal to at least one-twentieth of the total debenture issue. The special function of the capital is to secure the business engagements of the bank and especially its debenture issue; it is a guarantee fund rather than a working capital. Shares are to bearer or personal, the latter being only transferable by a transfer in the bank's registers based upon a written document. The liability of shareholders is strictly limited to the amount of the shares held by them.)

CHAPTER III.—*Administration.*

18 to 22.. (Describe the powers and duties of the governor and sub-governors. The shares necessary held by them (200 and 100 respectively) are inalienable so long as they hold office, and are specially charged as security for their good conduct.)

23 to 35. (Deal with the council of administration (board of directors), which has from 20 to 23 members, exclusive of the governor, sub-governors, and supervisors (censeurs); the ordinary members are appointed by the general meeting; three must be high finance officers (Tresoriers payeurs generaux des finances).)

28. Every director must, within eight days of his appointment, deposit in the office of the bank 100 shares, which shall be inalienable so long as he holds office.

29. The duties of directors are gratuitous; they are allowed sitting fees (jetons de presence), the amount of which shall be settled by the general meeting.

36. *Supervisors (censeurs, auditors).*—The supervisors are three in number, appointed by the general meeting. They hold office for three years, retire at the rate of one per annum, but are reeligible. Articles 27, 28, and 29 apply to supervisors.

37. The duty of the supervisors is to watch over the strict execution of the articles. They attend the meetings of the board of directors, assist with their opinions (but not with their vote). They supervise the preparation and issue of debentures, examine the balance sheet and annual accounts, and report on these matters to the general meeting when necessary. The books, accounts, and all documents must always be presented for their examination when so required. They may at any time verify the cash balance and bill case, and they may, when all three agree to that effect, require the convocation of an extraordinary general meeting.

38. *General meeting.*—Represents the mass of shareholders, but consists only of the 200 largest holders. Proxies can only be given to shareholders. Forty qualified members form a quorum if they hold one-tenth of the total share issue. Failing such conditions, a second meeting shall be called, which shall have full powers, whatever the number of members present or of shares held. The other provisions are of an ordinary nature.

* * * * *

CHAPTER IV.—*Loans.*

51. Agreeable to article 1 the bank will grant mortgage loans of two classes, viz:

(1) Long-term loans repayable by annuities so calculated as to pay off the debt in a period of ten years at the least and seventy-five years at most, whether in France or in Algeria.

(2) Short-term loans, repayable in lump or by installments. Loans may be made either in cash or in land mortgage debentures.

52. The bank will only lend to owners of immovable property on first mortgage save only in such cases as are contemplated by the law and these articles. (Repeats the conditions of the law, section 6.)

53. When the bank deems it necessary to undertake the formalities of the "purge," it shall proceed in conformity with section 1 of the law of June 10, 1853.

54. The bank shall not grant loans (1) on theaters; (2) on mines and quarries; (3) on undivided property, unless the mortgage extends to the whole of such property and has the consent of all the cosharers; (4) on property in which possession and ownership (*l'usufruit et la nue propriete*) are not united unless all those interested join in agreeing to the mortgage.

55. The bank will only accept mortgages on properties which yield a certain and durable income.

56. The amount of a loan shall not exceed that of one-half of the value of the mortgaged property.

It shall not exceed one-third of such value in the case of vineyards, woods, and other properties of which the income depends upon plantations. Factory buildings shall only be estimated at their intrinsic value irrespective of their value as attached to the enterprise.

57. In no case shall the annuity to the payment of which the borrower binds himself exceed the total income of the property mortgaged.^a

58. The rate of interest on loans shall be fixed by the board of directors, but shall not exceed by more than 0.60 per cent the actual rate (*prix de revient*) payable by the bank on debentures in issue at the time the loan is granted.^b

59. The annuities shall be paid in cash and shall include (1) the interest, (2) the sinking-fund contribution as determined by the rate of interest in combination with the duration of the loan.

^a This is a noteworthy precaution adopted in security both of the bank and of the borrower. The bank will not allow reckless engagements to be entered into, it being obvious that if a man's income or circumstances are such that he must borrow, that income can not suffice to maintain him and also repay the loan, except where the loan is intended for a bona fide and certain improvement. This point is too often lost sight of by borrowers and by lenders—the latter often with intention—in this country.

^b This condition marks the care with which the bank, in conformity with the law, seeks to make its loans as cheap as possible. If the bank can borrow at 4 per cent, the interest payable to it by the borrower shall not exceed 4.60; if it succeeds in placing its debentures at 3½ per cent, the charge to borrowers ipso facto falls to 4.10. The cost, however, must be the actual cost to the bank; its debentures may be issued at 3½ per cent, but at a considerable discount, or there may be additional charges for lottery prizes, bonuses on repayment, etc. This must be taken into account in calculating the actual rate paid by the bank.

60. Annuities are paid by half-yearly installments at the dates fixed by the board of directors (now April 30 and October 30).

At the time of granting the loan the bank will retain such amount as will cover the interest, etc., due up to the end of the first half-yearly period.

61. (Interest at 5 per cent is payable on all arrears, whether of annuities or costs of any sort.)

62. Moreover, default in the payment of a half year's dues renders the defaulter liable to a demand for the repayment of his whole debt in full one month after accrual of the arrear.

63. Borrowers are entitled to repay their debts in advance, whether in whole or in part.

Repayments in advance may be made at the choice of the debtor, either in cash or in land-mortgage debentures of the series mentioned in the loan deed. When repaid in debentures such debentures shall be received at par, whatever may be their market value.

A borrower repaying in advance must pay compensation (indemnity) to the bank, which shall not exceed 3 per cent of the sum so repaid.

Sums repaid in cash in advance shall be expended in redeeming or purchasing land-mortgage debentures, or in granting new loans.

64. A borrower is bound to notify the bank, within one month, of any alienation, whole or partial, which he may have made (of the property mortgaged). In default of such notification in due time, the bank may demand full repayment of his loan, together with compensation as mentioned in section 63.

65. A borrower must also notify, within the period mentioned above, of any deteriorations which the property may have suffered and all natural events which might diminish its value or disturb his possession or injuriously affect his rights of ownership.

In default of such notification, and in any case should the interests of the bank be compromised by such deterioration or events, the bank may, in conformity with section 32 of the law of 28th February, 1852 (see *supra*, p. 84), demand repayment of the loan.

66. The loan shall equally be liable to recall, with the compensation mentioned in section 63 *supra*, should the borrower conceal any suits upon claims at law (*hypothèques legales*) or for cancellation or rescission (of a contract affecting the property) which may form a charge upon the property mortgaged to the bank.

67. Property liable to damage by fire must be insured at the cost of the borrower, unless the bank at the same time holds in security of the debt not only the property in question but also other property not liable to damage by fire and double the value of the debt.

The loan deed shall contain a condition transferring (to the bank) in case of damage the amount insured.

The policy must be maintained throughout the whole duration of the loan.

The bank may require that the policy shall be made out in its own name and that the premia shall be paid by itself. In this case the amount of the annuity (payable by the borrower) shall be correspondingly increased.

68. In case of damage the amount assured shall be paid direct to the bank.

During one year from the date of the damage the debtor shall have

the right of restoring the property to its original condition. During that period the bank will hold the amount of insurance as a security; after the property has been restored to its original condition it shall pay over the amount to the debtor after deducting any dues.

If at the end of a year the debtor has not used his right of restoring the property, or if, before that time, he has notified the bank he does not intend to restore it, the bank shall definitely credit itself with the assurance amount, setting it off against the debt as a payment in advance.

69. Repayments in advance arising from such damage do not carry the compensation sanctioned in section 63.

The bank may demand (the immediate) repayment of any balance due, should it deem that its interests are endangered by the damage.

70. In the valuation of properties offered in mortgage, all documents, lease deeds, and other sources of information tendered by the proprietor seeking the loan shall be considered. The bank may also cause a valuation to be made by experts. In all cases the valuation shall be made upon a consideration both of the actual income and of the market value.

71. When the property is in order and the security sufficient, the board of directors will determine the amount of the loan to be made and will proceed to the execution of the conditional loan deed.

72. After obtaining the supplementary statement of registered claims, including that of the bank, the formalities of the "purge" will be carried out if necessary; after such formalities or at once, should the "purge" not be necessary, a deed shall declare the conditional deed to be cancelled or rendered absolute, according as registered claims burdening the property shall or shall not have been discovered.

In the first case the document must contain a withdrawal of the registration in favor of the bank, and must be signed by the governor only. In the second case the document must be signed by both the governor and the borrower; it shall recite the completion of all formalities, the delivery of bonds (debentures) to the amount of the loan, and the date from which interest shall run.

73. All costs and disbursements necessitated by the request for a loan shall be at the expense of the candidate for the loan even where such loan is not finally granted.

CHAPTER V.—*Land-mortgage debentures.*

74. The land-mortgage debentures issued by the bank shall be to order or to bearer (nominatives) (ou au porteur).

75. Debentures to order are transferable either by mere indorsement without further guarantee than that provided by section 1693 of the Code Napoleon (see section 13 of the law, supra) or in such other way as may be determined by the board of directors.

The bank is free from further responsibility when it has paid the person holding the debenture (tiers porteur); in no case is it responsible for the regularity of a transfer.

Debentures to bearer are transferred by mere change of hands.

76. The amount derived from the issue of land mortgage or communal debentures shall not exceed that of the mortgage or communal loans granted by the bank. The amount derived from such issue shall,

pending their regular employment (in loans), be invested in the proportion to be decided by the board, in Government paper, in debentures of the city of Paris, of districts, and of communes, in shares of the Bank of France, in land mortgage and communal debentures, and in debentures of railway companies, the interest on which is guaranteed by the State.

77. No land-mortgage debenture shall be issued below £4 in value.

78. Holders of debentures have no right of action for the recovery of their principal and interest save directly against the bank.

79. Debentures shall bear interest, the rate, date, and mode of payment of which shall be fixed by the board of directors. No longer period than three months shall intervene between the payment of interest by the bank's borrowers and the payment of interest to the debenture holders.

In whatever form the debentures are issued (whether to order or to bearer), the payment of interest to the holder is valid.

80. Debentures shall be in the form of documents, which shall be taken from a stub. They shall be signed by a director, stamped with the seal of the bank, and countersigned by the governor.

81. The board of directors may authorize the deposit of such debentures in the safe; a certificate in the name of the depositor shall be issued to be returned at withdrawal. The board shall determine the conditions, etc.

82. Debentures shall bear no fixed date for repayment of the capital. The particular debentures to be repaid shall be determined by lot (*tirage au sort*).

Every repayment shall include so many debentures as may be necessary to prevent those remaining in circulation from exceeding in value the amount outstanding on mortgage.

83. With the permission of government, debentures may be made payable with prizes and bonuses.^a

The board of directors shall determine the rates and amount of such distribution.

84. The drawings are carried out by the board of directors in presence of the supervisors (*censeurs*).

^aOne great secret of the market value of these debentures lies in this article. The "*tirage au sort*" is not necessarily a lottery; it is merely a determining by lot (by withdrawing numbers at random from a wheel) the particular debentures to be repaid; this is frequently resorted to in England for the same purpose. But in Continental Europe it is usual to increase the popularity of these securities by adding the chance of prizes or bonuses—e. g., in the *Credit Foncier*, at each of the four or six drawings per annum for each issue or series of debentures (loans of 1853, 1863, 1879, etc.) many hundreds or thousands of debentures each of, say, £20 will be drawn by lot and repaid at par, but, in addition a certain number—e. g., the 50 or 100 first drawn, will obtain prizes varying in value from £4,000 to £50 each. This, though partaking of the spirit of gambling, since the prizes are in reality obtained from a share of the excess paid by the many over the true market value of a debenture at the nominal interest of the debentures, is not a regular gambling lottery where a few gain everything to the total loss of the many; every debenture holder is eventually repaid at par and may gain a prize.

The method of repaying with a universal bonus is wholly free from the real gambling spirit; a debenture costs an original purchaser £20, and is repayable, not at par, but at, say, £25—e. g., the loan of 1853-54 is wholly repayable at this rate. Here everyone obtains a bonus, and the only element of chance is in the accident of drawing, whereby some holders obtain early repayment of their investment plus the bonus. Occasionally the prizes and bonus system are combined,

85. Within eight days of each drawing the numbers drawn must be published by notice at the bank office and by advertisement in two of the newspapers in which the bank's notices customarily appear.

86. The debentures of which the numbers are drawn shall be repaid on the day mentioned in the published notices, from which date interest thereon ceases.

87. Debentures drawn by lot must, on repayment, be immediately marked with a canceling stamp. They must be destroyed in presence of the governor, of a director, and of a supervisor, and a memorandum of the fact duly drawn up.

88. Debentures which return to the bank through payments in advance, must be marked with a special stamp, and can not be reissued without fresh countersignature by the governor. They take part like other debentures in the periodical drawings.

CHAPTER VI. (Deals with the annual balance sheet.)

CHAPTER VII.—*Division of profits.*

89. The actual profits are distributed as follows:

- (1) Five per cent on the paid-up capital is allotted to the holders;
- (2) An amount not less than 5 cent and not exceeding 20 per cent of the remainder is passed to the obligatory reserve; other sums may also be allotted to optional reserves, if so proposed by the board and approved by the general meeting.

The remainder will be added to the dividend due to the shareholders.

90. Every dividend not claimed within five years from date of declaration accrues to the bank.

CHAPTER VIII.—*The obligatory reserve.*

91. The obligatory reserve is accumulated from the proceeds of the annual allotment from profits as per article 89 supra.

When such reserve reaches the amount of one-half of the bank's own capital, such allotment may cease, but is renewed should the reserve be drawn upon.

This reserve is intended to meet unexpected emergencies. Should the dividend of any year fall below the amount of 5 per cent the deficit may be met from the reserve.

The investment of the funds of the reserves, both obligatory and special, are determined by the board of directors.

(The remaining chapters treat merely of changes in the articles, and of dissolution and liquidation, and do not call for translation.)

LAW OF JULY 6, 1860.

(Authorizes the Credit Foncier of France to lend to districts, communes, and syndical associations.)

1. The "Credit Foncier" is authorized to lend on the following conditions to districts, communes, and syndical associations such sums as they may have been permitted to borrow.

2. Loans may be granted with or without mortgage, and repayable either over a long term by annuities or in a short period in lump or by installments.

3. Loans are payable in cash only.

4. The commission payable to the bank toward costs of management shall not exceed 0.45 per cent per annum.

5. The bank is authorized to issue debentures in representation and to the amount of its loans (to the above bodies), in conformity with the rules contained in Chapter V of the articles of the bank.

These debentures shall enjoy all the rights and privileges attached to land mortgage debentures by the laws governing the Credit Foncier.

6. The sums due to the bank on account of loans to communes, districts, and associations are specially and preferentially assigned for the payment of the debentures issued under the present law.

The sums due to the bank on account of land mortgage loans remain assigned specially and preferentially for the payment of the debentures issued in representation of such loans.

7. The bank may, before granting any loans under the present law, issue temporary debentures for a sum not exceeding £200,000.

8. The shares issued by the bank shall be kept at the ratio of at least one-twentieth of the debentures in circulation.

9. In case of repayment in advance, the compensation payable by the debtor is fixed at 0.5 per cent of the amount repaid.

In modification of article 63 of the articles of the bank, the preceding rule shall apply to all operations with the bank.

EXHIBIT I.

LAWS AND REGULATIONS RELATING TO THE HUNGARIAN BODEN-KREDIT INSTITUT.

[Quoted from translation contained in the Report Regarding the Possibility of Introducing Land and Agricultural Banks into the Madras Presidency. (Volume II, pages 24 to 30.)]

LAW OF 8TH JUNE, 1871, RELATING TO THE BODEN-KREDIT INSTITUT (HUNGARY).

1. The land bank is placed under the jurisdiction of the commercial court of first instance in Pesth in so far as regards all actions by or against the bank. There shall be no exception to this rule unless expressly so provided by the present law.

2. Questions relating to the repayment of the debentures or bonds issued by the bank shall be dealt with by the said court.

3. The said court shall also proceed to execution against the debtors of the bank in so far as relates to their movables found within the limits of the city of Pest-Ofen; when their movables are beyond such limits execution shall be had on application to the judicial authority of the locality in which such debtors are domiciled.

When execution is sought against immovable property, recourse shall be had to the court within whose jurisdiction such property is situated.

4. When proceedings in bankruptcy are begun against a debtor, recourse must be had to the court adjudicating thereon.

5. The bank may, as plaintiff, sue for the fulfillment of its dues under the procedure mentioned in the present law, whether before the court in which its debtor would ordinarily be sued or before any court expressly mentioned in the debt bond.

6. The courts mentioned in the above sections are bound to expedite the disposal of demands of the bank, placing them extra seriem (outside of the ordinary cause list) and hearing them on the next court day; they are similarly bound in the case of applications by private persons which refer to loans granted by the bank. In all such cases the decisions shall be announced without delay.

7. The books are to be kept in conformity with Law XVI of 1840; extracts from the principal books and accounts signed by the directors are admitted as complete proof (of their contents).

8. Receipts, acceptances, orders, and drafts drawn in the form of promissory notes in the marker's handwriting or letters in favor of the bank and signed by the marker shall, when the parties are in (business) relations with the bank, be admitted in full proof against the marker or his lawful heirs without the necessity for any legal visa or for the attestation of two witnesses or a certificate that the amount has been paid in cash.

9 and 10. (Relate to the probative force of the signature of persons in relation with the bank.)

11 to 15. (Repealed by Law XLV of 1879.)

16. A property mortgaged to the bank and registered in a single survey folio may not be sold without the consent of the bank.

17 and 18. (Repealed by Law XLV of 1879.)

19. When a loan has been granted by the bank, such loan shall not, without the consent or order of the borrower, be subject to any claim upon a guaranty, or to any distraint, or to any injunction on behalf of a third party, and the bank, so far as regards loans granted by it, is not bound to take notice of any injunctions, whether by the judicial or by the revenue authorities.

The bank is bound to take notice of judicial execution or similar injunctions upon the deposits of private persons, so far as regards the return of the deposit note (*polizza di deposito*); but even in this case the prior claim of the bank, and especially the right of recouping its dues from the deposits, shall not be affected when the bank has taken action against the owner of such deposit, save where the claim of the third party upon the deposit was in actual existence when the deposit was made and the bank had notice thereof at the time of making such deposit.

20 to 23. (Repealed by Law XLV of 1879.)

24. All the correspondence, whether received or dispatched, of the bank with the district authorities shall be exempt from postal charges when the covers bear the seal of the bank and the indorsement "on land bank business."

25. All applications (for loans?) made to the bank shall be free of stamp duty. In other matters the bank is bound as regards stamp duty by sections 3 and 11 of Law XVI of 1869.

26. The bank will deduct the income tax from the interest due on its debentures.

27. So much of the annual profits of the bank as are allotted to the reserve shall be exempt from income tax. The bank must pay income tax in conformity with Law XXVI of 1869, section 2 (1), but only upon such amount as shall be due to "founders" as interest upon these founders' shares.

28. The ministers of justice, of commerce, and of finance are charged with the execution of the present law.

LAW XXI OF 5TH JUNE, 1876.

The conditions of Law XXXVII of 1875 regarding societies are applicable with the following modifications to the Hungarian Bodenkredit Institute:

1. The following shall be members of the general meeting:

(a) Those members of the bank who are indebted to the bank on a mortgage of at least 50,000 florins (rupees).

(b) Representatives chosen in the district meetings of such persons as are indebted to the bank on mortgage individually less than 50,000 florins, at the rate of one representative per 400,000 florins of mortgage debt.

(c) Foundation members.

2. One-half of the committee of supervision shall be triennially elected by the founders' meeting and the other half by the general meeting.

3. The committee of supervision, in addition to the powers granted to the audit committee (under the general law above mentioned) shall have the power of laying down rules for the conduct of business, of settling the number of directors, of appointing and dismissing the ordinary members of the directorate, and of agreeing with them, by regular contract, as to the conditions of employment. To this extent the committee is responsible to the bank.

4. The chairman of the directorate shall be elected by the general meeting from three names to be submitted by the founders' meeting.

5. Any proposal to alter the articles shall be submitted to the general meeting only when it has first been approved of by the founders' meeting.

A resolution modifying the articles must obtain the confirmation of government before being put into operation.

A royal commissioner shall be appointed in view to insure the strict observance of the articles, but such appointment shall not in any way diminish the legal responsibility of the several authorities of the bank.

7. The ministers of agriculture, industry and trade, of justice, and of finance are charged with the execution of this law.

ARTICLES OF THE HUNGARIAN BODEN-KREDIT INSTITUTE (LAND BANK).

CHAPTER I.

1. The object of the land bank is to procure safe credit for landed property the owners of which are associated in mutual and unlimited liability (*riunita in associazione sulla base della solidarieta*); such credit shall extend to one-half of the value of the mortgaged property.

* * * * *

4. The bank shall be situated at Budapest.

CHAPTER II.

5. The members of the bank are the founders and the borrowers on mortgage.

6. Founders (*soci fondatori*) are those 209 proprietors who deposit in cash and bonds a guarantee fund of 1,677,000 florins (rupees) and whose duty is the organization of the bank on a sound footing.

7. Founders exercise their functions under these articles through the founders' meeting, the committee of supervision, and in the general meeting.

8. The smallest foundation share shall be 5,000 florins; a founder may subscribe for one or more shares. Ten per cent of the sum subscribed by each founder shall be paid in cash and the remainder in nine bonds, each of which shall be equal to one-tenth of the subscribed amount.

9. These nine bonds (deposited by each founder) shall be returned one by one to each founder in proportion as the reserve fund increases. When the reserve fund shall have passed the sum of half a million florins, exclusive of the 500,000 florins granted by the provincial (district) funds, or a total of 1,000,000 florins, and when this 1,000,000 florins shall show a further increase of 10 per cent of the original foundation fund (sec. 6, *supra*), one bond shall be returned to each

founder for every successive addition of 10 per cent until all the nine bonds shall have been returned. The 10 per cent paid in cash shall be held permanently in the reserve and interest thereon shall be paid at 5 per cent.

10. Foundation shares shall not be transferred without the consent of the bank. If a founder dies his share shall be entered in the name of such heir in the direct line as shall prove his title to the satisfaction of the directors. If there are several heirs that one to whom the others give a proxy shall exercise the rights of member.

If there are no heirs in the direct line the founders' meeting shall select the person admissible as legal heir. In this case, however, the value of the foundation share with interest shall be paid to such successor, and the vacancy thus caused shall be filled up by a new founder to be approved by the founders' meeting.

If a founder becomes bankrupt, or if the bank has to levy upon his share amount by way of distraint, he shall finally lose his rights as a founder. In such case the founders' meeting shall, after repaying the share value, decide whether a new founder shall or shall not be admitted in his place.

11. The (ordinary) members of the bank are all proprietors who, being in possession of an estate within Hungarian territory, which is registered in the survey books and which is capable of providing security under these articles for a loan of at least 1,000 florins, shall have applied for and obtained a loan from the bank.

12. A person becomes a member (a) on obtaining a loan from the bank; (b) on acquiring an estate on which a loan has already been granted by the bank.

13. On acquiring an estate on which a loan has been granted the acquirer must notify the bank of the fact within fifteen days of the registration (of his acquisition) or of his taking possession; otherwise the directors may call in the loan as provided by section 75.

14. A member quits the bank (a) when, on the complete repayment of his loan, the bank returns to him his debt bond; (b) when the estate on which the mortgage loan was granted passes legally into the hands of a third person, and the original debtor obtains from the bank a declaration absolving him from responsibility for the debt.

CHAPTER III.—*Authorities (organ) of the bank.*

15. The bank authorities consist of (1) the founders' meeting, (2) the general meeting, (3) the committee of supervision, (4) the chairman of the board of directors, (5) the board of directors, and (6) the district committees.

* * * * *

34. The committee of supervision is charged with the duty of vigorously and continuously (*senza interruzioni*) supervising the administration of the directors in such wise that nothing shall be done contrary to these articles or that may endanger the safety of the bank.

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38. If a member of the committee of supervision or of directorate becomes bankrupt, he is considered to have vacated office. * * *

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48. *Local committee.*—To assist in the work of the bank in the districts local committees shall be established in every district or other area, consisting of members of the bank; these shall, in conformity with instructions issued by the board of directors, represent the bank in making valuations, paying dues, in testing securities, in making distrains, and in observing carefully the condition of the properties of the several members of the bank.

Except for very strong and good reasons, the validity of which shall be considered by the board of directors, every member of the bank is bound to undertake the duties above mentioned.

CHAPTER IV.—*Business of the bank.*

49. The bank will grant loans either in cash or in land mortgage debentures.

50. Loans in debentures shall be made upon mortgages repayable by sinking fund as laid down in the following chapter.

51. Loans in cash shall be made when funds are available either on short-term mortgages or on bills or on (the deposit of) securities.

52. Short-term mortgage loans of three or six months at most may be made (a) to members whose estates are not mortgaged or otherwise charged up to one-half of their value as fixed by the bank; (b) to nonmembers who possess estates free of mortgage or other charges.

53 to 57. (The borrower gives a bond for a sum of one-half larger than the credit to be opened to him; the bond amount must not exceed 30 per cent of the value of the estate, or 50 per cent with any prior debts thereon to the bank. Short-term loans may be converted into regular long-term loans with the issue of debentures. Loans must be paid up punctually, failing which the bank may proceed to execution against the debtor or may convert the loan into a loan with debentures.)

CHAPTER V.—*Conditions of mortgage loans.*

58 to 81. (Loans granted by means of land mortgage debentures must not exceed 50 per cent of the value of the mortgaged estate, calculated either by actual valuation or at sixteen times the net income, as entered in the tax registers, less taxes and cesses. Loans may, as a rule, only be granted on estates free of prior mortgages or when the prior creditors yield their priority to the bank; where loans on estates with prior mortgages are granted, the aggregate, with the bank's loan, must not exceed the above 50 per cent, and the debtor must annually produce proof that he is regularly paying the dues on the prior mortgages, failing which the bank may call in its loan. The borrower may request the bank to pay off all prior debts from the proceeds of the loan granted by it. No loan can be granted on an undivided property held by several persons, unless all of them consent thereto. All fields (parcels) mentioned in a single folio (register entry, protocollo) of the land register must be made subject to the mortgage; single fields can not be accepted. The borrower must regularly pay in advance his annuities comprising (a) interest, (b) sinking fund, (c) a charge for administration not exceeding 0.25 per cent annually, (d) a contribution to the reserve. Any borrower falling into arrears without the prior consent of the bank must pay penal interest with an additional 1 per cent con-

tribution to the reserve if the delay exceeds 14 days; the bank may grant delays when the debtor has sustained losses from no fault of his own or in case of his death, interest at market rates being charged on the arrears. Within five days of default the bank may take out execution against a defaulter, and may proceed both against the mortgaged property and against the other movables and immovables of the defaulter. The directors have the right of calling in the loan in the following cases: (a) When the borrower manages his property so negligently that there is danger of his becoming unable to pay his annuities owing to the deterioration of the estate; (b) when he fails to prove that he is paying the dues punctually on prior debts due on the estate to third parties; (c) when a private creditor takes out court execution against the bank's borrower and the latter is moreover in arrears with a half year's dues; (d) when the property charged with the loan, or part of such property is transferred, whether inter vivos, or by succession to a third person who fails to accept the conditions of the bank's loan within a period fixed by the bank; (e) when the debtor does not carry out, within the prescribed period, the conditions agreed upon; (f) when the debtor is in arrears with three consecutive installments, so that coercive process is necessary to obtain payment by calling in the loan and by proceeding to obtain the execution (as above) for the arrears. In the cases (a) to (e) notice of the recall may be made either through the courts, or it may be made direct after three advertisements in the official Gazette; within six months from such notice or from such advertisement, the whole capital interest and other dues shall be payable. If the debtor objects to the notice, he must do so before the commercial court at Budapest. Should the debtor fail to repay his loan, etc., within the time fixed by the notice, the bank may either claim execution or may withdraw from circulation debentures corresponding to the loan, debit the defaulter with their value at the market rate of the day, and obtain collection of such sum by coercive process. If a debtor becomes bankrupt or when his property is sold at auction, the bank has the right of transforming its claims into a cash debt as above and to obtain execution. All costs for processes and appearances (in court) shall be at the charge of the debtor.)

CHAPTER VI.

82 to 90. (Relate to the extinction of the loan by amortization, through fixed annuities, with the right of whole or partial repayment in advance, in which case the annuity may be proportionately reduced in amount the number of years remaining the same, or the annuity may remain the same, but the number of annuities may be decreased. After the extinction of (every) 1,000 florins of debt, the borrower may demand a corresponding diminution of the mortgage entered on the land register.)

CHAPTER VII.—*Land mortgage debentures.*

91. Land mortgage debentures are bonds by virtue of which the bank is bound to pay to the holder the principal therein mentioned, together with interest on the conditions contained in the bonds. The bank has the right of repaying such debentures at par on six months'

notice, but the holder does not possess the converse right of requiring repayment (at any given time).

92. The debentures must be properly signed and sealed, and must contain a declaration by the chairman of the committee of supervision that the sum secured thereby is guaranteed by mortgage debts (due to the bank).

93. The rate of interest shall be determined by the money market with a view to the advantage of the bank's borrowers. The debentures shall mention a period within which they must be repaid in lawful currency, with or without bonuses.

Articles 94 to 108 present no special interest; they lay down rules similar to those of other banks in Germany, Italy, and France. See translation *supra*.

CHAPTER VIII.—*Rights of debenture holders.*

109. The debentures of the bank are secured not only by the foundation capital and by the mortgages against which the debentures are issued, but also by the mutual and joint liability (*reciproca solidarieta*) of the members. With this view a special guaranty fund shall be contributed by these latter.

110. (The capital and the interest of debentures must be punctually paid.)

111. (The funds available to secure such repayment are the reserve fund (Chapter IX), the sinking fund, and the members' guaranty fund (Chapter IX).

112. For the information of the public the bank shall publish quarterly a balance sheet, a statement of the sinking-fund accumulations, of the reserve, and of the members' guaranty fund.

113. If the bank does not meet its engagements with the debenture holders, they have the right of proceeding to execution against the bank in the commercial court at Budapest, which in such cases shall take cognizance by summary oral proceedings.

114. Such execution shall first proceed against the special guaranty fund; after that is exhausted, against the reserve; finally, against the mortgages held by the bank. In this last case the amount levied shall not exceed that for which the mortgage was granted to the bank.

CHAPTER IX.—*The reserve.*

115. The reserve comprises (a) the funds subscribed by the founders; (b) the 500,000 florins assigned from provincial (*quære district*) funds for that purpose; (c) the net annual profits of the bank; (d) the members' guaranty fund (articles 109 and 111).

From this reserve a sum amounting to at least one twentieth of the value of debentures in circulation must be set apart and separately managed (as a special guaranty for the debentures).

116. The reserve may be invested (a) in advances upon land-mortgage debentures up to three-fourths of their market value and for terms not exceeding three months, with permission to renew; (b) in advances on other good securities quoted on the exchange and fully paid up to an amount and for terms as in (a); (c) in the discount of securities of not more than six months' *echeance*, approved by the

directors and by the committee of supervision; (*d*) in the discount of bills with at least three signatures and for not more than three months; (*e*) in good securities bearing fixed interest and quoted on the exchange; (*f*) in immovable property.

(The conditions of the law of 19th June, 1876, on land-mortgage debentures must be strictly adhered to in the matter of purchasing landed property from the fund specially securing such debentures. It appears that such property may only be obtained where borrowers fail to pay their dues.)

117 to 119. (Rules for term and other deposits. These are apparently inserted here as a means of providing money for current needs.)

* * * * *

121. When the reserve shall have passed 1,500,000 florins, the general meeting shall decide whether the expenses of management cannot, either wholly or in part, be met from the interest accruing thereon, and whether the borrowers can not be relieved from the payments due for such expenses.

122. The members' guarantee fund shall be accumulated from a contribution ad hoc by each borrower of 1 per cent of the sums borrowed.

123. This amount shall be held as a deposit in favor of the depositor until complete extinction of his debt, and shall accumulate at simple interest; the interest upon such interest shall go to the reserve.

124 and 125. When the bank has sustained a loss which is not covered by that part of the reserve accumulated from profits the deficit shall, in the first place, be made good from the members' guaranty fund, and each member must then make up the consequent deficit in the guaranty fund. Six weeks' notice shall be given of such demand and such notice shall be deemed compulsory.

CHAPTER X.—*Miscellaneous.*

* * * * *

128. The judicial privileges of the bank, its exemptions in the matter of taxation and postal charges are governed by XXXIV of 1871, XXI of 1876, and XLV of 1879.

129. A government commissioner shall supervise the exact observance of the articles, the authorities of the bank remaining legally responsible.

130, etc. (The remaining articles relate to liquidation: 135 provides for the restoration in such cases to the government of the reserve fund and of the foundation endowment to the founders.)

HUNGARIAN LAW OF 19TH JUNE, 1876, RELATING TO LAND MORTGAGE DEBENTURES.

(1) Land mortgage debentures may be issued (*a*) by joint stock companies, (*b*) by associations of proprietors with a view to provide credit; (2) the articles of such banks shall contain full rules for the grant of mortgage loans and the valuation of properties; (4) and each such bank must provide beforehand a reserve of at least 200,000 florins as a special guaranty fund for the debentures to be issued; (5) this fund shall serve as guaranty for the whole mass of debentures, and shall not be liable to any sort of execution (save on account of the debentures).

tures themselves); (6) this fund shall be invested in land mortgage debentures, state paper, loans on such securities up to three-fourths of their value and for three months at most with renewals, discount of securities and bills, and in buying in immovable property mortgaged to the bank up to the amount necessary fully to cover the mortgage amount; (7) the part of the guaranty fund invested as in section 6 must be completely separated from the general funds and managed separately; (8) and a special entry must be made in the land register against immovables that the sums invested therein belong to the guaranty fund only; (9) all documents relating to such registration entry shall, as regards such registration, be exempt from charges; (10) when the property thus charged is sold to a third party, the registration entry ipso facto becomes void; (12) debentures may only be issued up to the amount of loans fully covered by mortgages; (13) that is, where the value of the mortgaged property is at least twice the amount of the loan, or three times in the case of vineyards and woods; factories and mines are not admissible as securities for a loan; (14) debentures shall be withdrawn in proportion to the repayment of the mortgage loans. The mortgages of a bank shall continue as charges on properties notwithstanding any forced sale of such properties by the bank, and shall serve as security for the debentures until the bank shall declare the charge to be extinct; (15) the value of debentures in circulation shall at no time exceed for each bank twenty times the amount of its special guaranty fund; (17) the mass of mortgages of each bank shall be the guaranty for the mass of debentures issued by it, and shall not be liable to execution (attachment); (18) this legal privilege shall be entered against each such mortgage in the land register; (20) this special entry shall ipso facto become null on the extinction of the mortgage; and (21) any document presented at the registration office for the above entry or for the cancellation of the same shall in that respect be free of stamp charges; (21 to 25) if any attachment is made against a bank, the court must appoint a trustee for the debenture holders, but attachment is void against the funds entered in sections 4, 5, and 17 as securities for the debentures, and the court shall so decide, even without hearing the opposite party, on application by the trustee; (27) should a bank become bankrupt debenture holders must be satisfied before any other creditor from the funds mentioned in sections 4, 5, and 17; (28) the funds mentioned in sections 5 and 17 shall be kept separate and managed by a delegate of the debenture holders; (29) the directors of a mortgage bank must publish half yearly in a newspaper and in the Gazette a statement showing precisely (a) the nominal value of debentures in circulation, (b) the amount of the mortgage loans which, under section 17, serve as security for the debentures, (c) the value of the properties as estimated for the purpose of the mortgage loans granted on them, (d) the amount of the fund set apart, under section 4, as a special guaranty for the debentures and a statement of the modes in which the several portions of the fund have been invested as per section 6; (30) this statement must, within eight days from publication, be sent to the court having jurisdiction; (31) the holder or holders of debentures, to the value of one-tenth of those in circulation, may, in depositing the debentures and a sum for expenses, require the court having jurisdiction to arrange for an examination by experts of the management of the bank's business so far as relates to the debentures

and for a report on the same; the court shall hold the debentures till such examination be concluded; (32) directors may be condemned by the proper tribunals by imprisonment, which may reach three months, even when no offense under the penal law has been committed (*a*) if they knowingly issue debentures to a value greater than that of the mortgages, (*b*) if they willfully omit to withdraw from circulation debentures to the value of mortgage amounts repaid, (*c*) if they knowingly publish incorrect facts in the statement required by section 29, (*d*) if they disobey the directions of section 6, (*e*) if the bank reduces the guaranty fund below the limits mentioned in section 11, (*f*) if a bank issues land mortgage debentures before creating a special guaranty fund as mentioned in section 4, (*g*) if a bank issues debentures beyond twenty times the amount of the special guaranty fund (section 15); the penalty of imprisonment may be commuted to a fine, which may reach 1,000 florins, if there are extenuating circumstances; § (34) directors are also punishable with fine, which may extend to 1,000 florins, (*a*) for delaying to obtain the registration entry mentioned in section 18 within the prescribed period, (*b*) for neglecting to nominate a trustee under section 23 should the court omit to appoint one, (*c*) for omitting to publish in due time the statement provided by section 29 or to send it to the court, (*d*) for omitting to provide that the special guaranty fund, so far as it is invested in movable securities, shall be separately managed.

EXHIBIT J.

EXTRACTS FROM THE LAWS AND REGULATIONS REGARDING REAL CREDIT IN ITALY.

[Quoted from translation contained in the Report Regarding the Possibility of Introducing Land and Agriculture Banks into the Madras Presidency. (Volume 11, pages 30-38.)]

LAW OF 22D FEBRUARY, 1885, REGARDING REAL CRÉDIT (ITALY).

1. Real credit shall be granted by the following eight banks (names given, including the savings bank of Milan). Each of these may operate throughout the Kingdom.

The government may sanction, by royal decree, the exercise of real credit by (any other) societies or institutions which have a paid up capital of £400,000, these may also issue land mortgage debentures up to the amount of ten times their paid up capital as soon as they prove their possession of mortgages to the value of half their paid up capital.

These mortgages shall be entered into without any corresponding issue of debentures, and as they are paid off their place shall be taken by other similar mortgages, or by an equivalent amount of debentures withdrawn from circulation, which are to be charged (*vincolate*, i. e., as securities for the general mass of debentures) and kept in deposit in the bank.

As entered in section 9 of this law all mortgages accepted by the banks, societies, and institutions form preference guarantees for the interest on and repayment of the debentures. The debentures specially charged and deposited (paragraph 3, *supra*) form preference securities to guarantee the interest and repayment of the debentures in circulation. (See rules 1, 2, 3, and 4, of the rules of business.)

2. The government may also sanction, by royal decree, the grant of real credit by mutual associations of proprietors, provided that the estates of such proprietors have an aggregate value of not less than £200,000. The articles of such association, which shall be approved by the said decree upon the motion of the minister of agriculture, trade, and industry, shall lay down the conditions to be satisfied by such proprietors, and shall fix the amount of guaranty (reserve) fund of the working capital and of the fund intended to secure the debentures. These debentures shall not exceed in amount one-half of the value of the mortgaged properties.

The associations of proprietors may not depart from the provisions of this law as regards the conditions on which loans are to be granted and repaid, and the issue and repayment of debentures.

3. Every institution shall, in the cities mentioned in a royal decree, establish agencies in such wise as to facilitate the grant of loans and to promote the development of real credit business.

Corporate bodies, such as savings banks, *Monts de Piété*, etc., may, with the authorization of government, undertake the duty of such agencies.

4. The objects of real credit are as follows:

(a) To make loans on the first mortgage of immovable property up to the first half of their value, repayable by sinking-fund annuities.^a

(b) To acquire by assignment and transfer debts on mortgage or with preferential rights, on the conditions indicated above, such debts being made redeemable by annuities (see rules 6, 7, and 8 of the rules of business).

(c) To effect the above operations by means of the issue of debentures, the face value of which shall be equal to the amounts lent to borrowers.

(d) To make advances by cash credits secured upon mortgage in the same manner as ordinary loans (see rule 9 of the rules).

(e) To undertake gratuitously the collection of dues on public securities, treasury bonds, bank bills, drafts on Government or local funds, the interest and dividends due by companies guaranteed or assisted by the State, provided that the proceeds of such collections are to be carried to accounts current or placed in deposit for investment in land mortgage debentures or for payment of annuities already due.

Land-mortgage debentures may be issued at 4, 4½, and 5 per cent.

The existence of prior mortgages shall not bar the acceptance of mortgages by the institutions, provided that the value of the former added to the amount of the proposed loan or to the amount to be paid by reason of assignment or transfer of a loan, or to the amount to be advanced on a cash credit, shall not exceed the half or three-fifths of the value of the property mortgaged.^b

5. Loans are considered as first mortgages when they are granted for the paying off of prior debts, so that the mortgage given to the bank becomes the first mortgage (see rule 5 of the rules).

An institution may even make a loan before the absolute transfer of a prior right or mortgage by the owner of such claim, a sufficient sum being retained by the institution to cover any possible loss by the transaction.

6. Loans may be of two classes (sec. 4):

(a) Loans repayable by sinking fund annuities which comprise interest, a contribution for commission and the expenses of management, the amount payable as taxation, and the sinking fund quota; this last must be such as to pay off the loan in a period not less than ten and not more than fifty years.

(b) Advances on cash credits secured by mortgage within the limits and under the rules laid down in the rules of business. Such advances may not exceed one-half of the value of the mortgaged property.

Loans are to be made in land-mortgage debentures, cash credits in cash.

The interest on loans shall be equal to that payable on the debentures issued against such loan.

^aIt will be noted that all loans are of necessity to be repayable solely on the sinking fund annuity system; no loan is legal under the law which is repayable in lump at the end of a fixed term.

^bIt is obvious that there may be difficulties in paying off prior creditors; the cancellation or transfer of prior claims can only be effected on paying off such claims; on the other hand the bank can not advance the amount needed for such payment until it has obtained its mortgage which, again, can not be safely accepted except as a first mortgage—that is, after the prior claims have been paid off. The difficulty is met in this law by section 13, viz, by the system of double deeds, the one conditional, the other final, as in the French "Crédit Foncier."

The interest on cash credits shall be variable and determined by the institution.

The interest, annuities, and contributions due to the institutions shall be paid in cash, as also that due by the institution to the holders of debentures.

7. As commission and for the expenses of management due to the lending institution, borrowers shall pay, together with the interest or annuity, an annual contribution not greater than 0.45 per cent of the capital sum lent. The borrowers must also bear all the costs of effecting the transaction.

Borrowers must also pay to the institution a further contribution of 0.15 per cent, which, by royal decree, may be reduced to 0.10 per cent on account of dues to the State for stamp duties and registration, and for any State charges on the contract, including those on the issue and circulation of debentures.

In the case of advances the payment of taxes is regulated by the ordinary law.

8. The payment of the interest, annuities, contributions, State dues, and installments of capital due to an institution shall not be obstructed by any attachment.

The sums due on behalf of the above shall, *de jure*, bear interest from the date of *échéance*.

In case of arrears, even of a single installment, the institution may at once demand payment in full of all sums due it.

The debtor is at all times permitted to pay off in advance the whole or part of his debt. In such case, however, he must pay the contributions mentioned in section 7.

These contributions are as follows:

On account of the institution a single payment of 0.45 per cent of the amount paid in advance; on account of treasury dues the 0.15 per cent shall, if only part of the loan is repaid, continue to be paid annually on the full sum originally lent, as though no amount had been paid in advance; should, however, the whole amount be repaid, the contribution shall be reduced to one-fourth of the aggregate annual payments which will otherwise have had to be made, and it shall be payable in a lump sum, together with the principal.

Should the advance repayment be made in cash the debtor must, in addition to the above contributions, pay the interest due between date of payment and next drawing of debentures; but the institution may repay to the debtor any profit obtained by the temporary investment of the sum received from the debtor.

The contribution mentioned in paragraph 4, *supra*, is also due in all cases in which, by reason of failure to carry out the contract or for any other cause, the institution has the right to require the immediate repayment of its debt.

It is permissible for the institution to refuse payments on account of debts when such payments are less than the amount of one annuity.

Repayments in advance, whether in whole or in part, may be made at their face value in debentures which bear interest at the same rate as the loan under payment.

Whenever the borrower shall have repaid an amount equal to one-fifth of the original debt, such debt not exceeding £20,000, he is entitled to a proportionate reduction of the mortgage amount as registered. When the debt exceeds £20,000, the above reduction,

plus one-tenth of the remainder, may be effected. The above reduction shall be made upon presentation to the registrar of mortgages of a declaration by the directors of the institution, duly certified by a notary.

9. The mass of land mortgage debentures as issued shall be guaranteed by the mass of mortgages accepted, and the assets represented by the loans shall be preferentially charged for the payment of the interest and principal of the debentures, but such preferential charge shall not give a debenture holder any right except as against the institution. * * *

The payment of debentures in circulation is effected by means of half-yearly drawings by lot of so many debentures as correspond in value to the aggregate of the contributions to the sinking fund due by borrowers during the preceding half year, plus the amount of any repayment of capital made in advance in cash during the same half year. * * *

So far as regards the holders of debentures the sinking fund quotas will be considered as collected, even though not collected, and to this no exception is permitted.

All drawings shall be public. Debentures when drawn shall cease to bear interest after the expiry of the current half year.

10. Debentures may be accepted in pledge as security for advances by any credit establishment within the limits fixed by its articles. They may be received at four-fifths of their market value by the institutions for real credit up to the amount of the fund set apart for such advances.

The national bank may, in extension of the powers granted by the law governing it, make advances on the deposit of land mortgage debentures, and may discount bills bearing only two signatures, if to such security is added a deposit or transfer of the interest coupons of debentures, as provided by its articles in the case of State paper.

11. From the net profits derived from its real credit business an institution must set aside not less than one-fourth in order to form a reserve, until such reserve shall have attained the amount fixed by the rules of business (section 28 supra).

The remaining profits shall be disposed of according to the articles of such institution. * * *

13. If the institution decide to grant a loan, it shall enter into a conditional contract with the borrower which shall have effect when, after registration of the claim, the certificate of the registration discloses no prior mortgage or charge.

When such is the case, the institution shall proceed to the execution of the final contract, and shall issue to the borrower, against his receipt, the corresponding value in debentures.

On the re-presentation of the copy of the final deed, the registrar shall, on the margin of the previous entry, note the payment with the issue of debentures. * * *

14. Mortgages registered in favor of an institution (for real credit) shall be valid notwithstanding the failure (bankruptcy) of the mortgagor, when registration has been effected not less than ten days before the order in bankruptcy has been published, even though the order places the date of stoppage of payment at some prior date.

15. The registration of mortgages accepted by or transferred to an institution (for real credit) shall be renewed by registrars of mortgages, as a matter of course.

16. (The heirs and successors in any way of a borrower must notify their succession to the bank; failing such notification the bank preserves its rights against the original borrower.)

17. The funds of incapables, minors, married women, and, generally, all those required by the law, by agreement, or by will to be invested in mortgages, the purchase of immovables or otherwise, may be invested in land-mortgage debentures.

18. The provisions of the penal law relating to the offenses of alteration, fraud, fabrication, or falsification of State securities, shall apply to land-mortgage debentures.

19. Land-mortgage debentures, the interest thereon, and cash credits shall not be distrainable.

20. The books and registers of an institution (for real credit), kept according to the articles thereof, and extracts from the same, shall form complete proof (*piena fede*) both against its debtors and against third parties.

21. For the recovery of its annuities an institution shall be permitted to proceed against its debtors in arrears by the same methods as those used by the State in the collection of direct taxes, so far as regards movables.

22. (Omitted.)

23 and 24. (Provides certain modifications of the ordinary law in proceedings for expropriation; the only one of general interest is (23) (*f*) that the institution has in all cases of the sale of mortgaged property, whether the sale is the result of its own proceedings or those of third parties, the right to demand from the sale purchaser the full amount of its claim, with all expenses within twenty days; Cf. the French *Crédit Foncier* rule. Should the sale purchaser fail to comply with this condition he is to be compelled thereto by every lawful process, including the resale of the property at his risk and charges. This provision is intended to evade the interminable delays caused "by the slowness of the ordinary law, the hair-splitting (*sofismi*) of the pleaders, and the dilatoriness (*Lentezze*) of the judges" (Commentary of Professor Rabbeno).)

25. The privileges of procedure, etc., granted by the present law to favor business in real credit, shall be equally granted when the property mortgaged belongs to districts, communes, or other public bodies.

26. The statements of real credit operations and of the progress of an institution shall be made public according to the provisions of the rules of business (section 28).

27. Institutions granting real credit are placed under the supervision of the minister of agriculture, industry, and trade, who shall exercise such supervision in the manner laid down by the rules (section 28).

28. A set of rules, to be approved by royal decree, shall provide for the due carrying out of the present law.

It shall in particular provide for—

(a) The form and face value of the land-mortgage debentures, which shall in no case be less than £4 in value;

(b) The rules to be followed in the issue of debentures, in their withdrawal, cancelment, and destruction, and in the issue of duplicates in the case of debentures to order which have been lost;

(c) The quality and condition of properties accepted on mortgage, the rules for ascertaining their value, the necessity and special conditions for assuring mortgaged factories against fire;

(d) The methods and periods in which borrowers must inform an institution of any changes which may happen to mortgaged property, whether in the way of decrease of value, disturbance of possession, or injury to rights;

(e) The rules to be followed in opening cash credits, and the limits and chief conditions of advances;

(f) The rules for the investment of the reserve fund;

(g) The limits and methods of the Government supervision.

RULES OF BUSINESS (24TH JULY, 1885) UNDER THE LAW OF 22D FEBRUARY, 1885, ITALY.

1. *Authorization*.—Societies and institutions^a desirous of permission to grant real credit must present an application to the minister of agriculture, industry, and trade (with copies of the resolution of the general meeting, articles, etc.; the minister may also demand any other documents necessary to satisfy him).

2. A royal decree authorizing the grant shall issue on the motion of the minister after it has been ascertained that the requirements of the law have been fulfilled.

The issue of land-mortgage debentures shall be authorized by a separate decree when the bank has proved its possession of mortgages equal in value to half of its paid-up capital.

3. With the application for the leave to issue debentures must be sent in a list of the mortgages held by the bank (giving all the chief details of each mortgage).

4. The minister has the right to inspect the agreements in case of all loans called in (*denunciati*), whether in possession of the bank or any public official (e. g., a court).

5. Mortgage loans in cash up to the amount of half the capital may be repayable by annuity or in lump. If repayable by annuity the provisions of section 7 of the law relating to taxes, stamp duties, etc., applicable; they are otherwise governed by the general law.

6. *Business*.—Banks for real credit can only lend on immovable property which furnishes an income accepted by the bank as certain and lasting for the period of the loan.

Immovable property used for industrial purposes can only be accepted at its actual value independently of its special use.

7. Factories mortgaged for a loan must be insured against fire at the expense of the borrower.

The loan deed must contain an assignment to the bank of the right to receive direct the insurance amount. This assignment must be notified to the insurance office.

Banks may require that the insurance policy shall be made out in the name of bank, and that the premia shall be payable by it. In such case the premia shall be added to and paid with the annuity due by the borrower.

Any sums payable by the insuring agency as an indemnity for damage or destruction, and those payable by reason of a forced acquisition of the land for public purposes or of a servitude imposed thereon by the law, shall be paid over to the bank and credited toward the debt as an advance payment.

^a The word "bank" will be used in this translation to mean any society or institution granting real credit.

Any indemnity paid by the insurance agency may, with the consent of the bank and on due security, be handed over to the debtor for the purpose of repairing the loss or damage.

The above conditions apply to all other classes of insurance effected on immovables.

8. Every change which brings with it a decrease in the value of the estate, as also every act by third parties which disturbs the debtor's possession or disputes his rights, shall be notified by the debtor to the bank within one month of such change or dispute.

In such cases the bank may, if necessary, proceed to a fresh valuation of the property at the debtor's expense, and may demand a further mortgage of the payment of the loan as per section 1980 of the Civil Code, and may also proceed against the debtor as per section 1284 of the said code.

9. (Mentions the general law governing cash credits and cheques, viz: Chapters XI and X, respectively, of the Code of Commerce.)

10. Real credit banks authorized by this law must prohibit by their articles the acquisition by themselves of immovable property except such as may be needful for the location of these offices, and such as they necessarily acquire as security for loans already entered into.

Whenever a bank acquires immovable property as security for a loan, whether by assignment or by purchase at auction, it shall sell the same within five years.

11. *Issue of debentures.*—Loans are made in debentures. Real credit banks may only issue such debentures for a face value equal to that of their loans granted under section 4, (a) and (b), of the law.

The banks may undertake the sale of the debentures on account of the borrower, with or without the charge of commission.

12. The debentures may issue at 4, 4½, or 5 per cent interest in separate series.

13. If debentures are contemporaneously issued at more than one rate, a borrower may select the rate at which the debentures for his loan shall issue. The interest payable by him shall equal the rate payable on the debentures.^a

A debtor may demand a fresh loan at a lower rate in order to pay off his prior loan at a higher rate. The banks shall determine the conditions of such conversion.

14. * * *

15 to 17. (Debentures shall be taken from a stub; shall be serially numbered, dated, signed, and stamped; shall be of a pattern approved by the minister of agriculture, etc., and shall each be £20 in value. But they may be exchanged for coupons of £4 each, bearing the number, etc., of the original debenture, which shall be kept in deposit.)

18. Debentures may be to bearer or to order; the latter may be furnished with interest coupons to bearer. The coupons must bear the serial number of the debenture. A new set of coupons shall be issued when the prior set has been exhausted.

19. Debentures to order may be transferred to other names, and both those to order and those to bearer may be transformed under the following rules into debentures of the other class.

* * * * *

^a Debentures issued at the lower rates of interest may be salable below par; hence, a loan issued in such debentures may be no more profitable to the borrower than a loan in debentures bearing a higher rate.

36. *Repayment of debentures.*—At the beginning of every half year as many debentures shall be repaid at par as correspond to the amount of the sinking fund due, even though not actually paid, by borrowers during the previous half year plus (1) the amount paid in cash during the half year as repayments in advance, including capital recovered by the bank by proceedings in expropriation or covered by properties bought in by the bank; (2) the amount of any losses.

37. With this view the bank must within eight days of the close of the half year prepare a statement in Form A showing for each mortgage loan (1) its original amount; (2) the year of the agreement; (3) the year in which repayment would be complete; (4) the amount of a half year's sinking fund dues; (5) the amount repaid in advance (during the half year) in debentures, if any; (6) the amount repaid in advance in cash, if any; (7) the losses incurred, if any.

A statement of this nature must be drawn up for each series of debentures.

A copy of the above statement, duly signed, is to be sent to the minister of agriculture, etc., but the several loans are to be indicated not by the names of the debtors, but by their serial numbers in the register or ledger.

* * * * *

40. Debentures are drawn by lot for repayment. (The rules are of the ordinary nature; all numbers are kept in a sealed wheel, to which are added, in presence of a government delegate, the numbers of those issued in the half year; the government delegate must also be present at the drawing, which is to be public.)

41. The debentures drawn will, on production, be paid in cash at par in the following month, and will bear no interest subsequent to that of the half year in which the drawing takes place.

* * * * *

49. *Reserve fund.*—The one-fourth of the net annual profits set aside for the formation of a reserve shall be deducted from the profits in the case of banks with a limited issue of debentures until the reserve shall reach the amount of at least one-fifth of the paid-up capital.

In the case of other banks (where the issue of debentures is not limited) the reserve must accumulate till, together with any guaranty fund, it shall reach the sum of one-tenth of the value of debentures in circulation, and shall be maintained at that proportion. The reserve fund shall be invested in securities issued or guaranteed by the State and in land-mortgage debentures issued by some other bank.

50. *Government supervision.*—Banks which grant real credit are on that side placed under the supervision of the minister of agriculture, industry, and trade, who exercises it by means of delegates.

51. The delegates have the right of inspecting all of the books and documents relating to the grant of real credit.

52. The banks are bound to dispatch to the minister the resolutions of their directorate within eight days after each meeting.

The minister can, upon reason stated, declare within ten days of such dispatch the cancelment of any resolutions which may be contrary to law or to the rules, giving notice at once of such declaration.

53. The supervision shall be so exercised as to prevent the banks from undertaking any operations other than those permitted by the law. The supervising delegates are specially bound—

(a) To verify the existence of as many mortgage loans made in cash as represent the half of the paid-up capital, as per section 1 of the law and the present rules;

(b) To take care that the debentures are only issued on account of mortgage loans and to a corresponding value;

(c) To verify the correctness of the entries in the statements referred to in rules 37 and 48, and the value of the debentures to be drawn;

(d) To be present at the placing of debenture numbers in the wheel and at their withdrawal, as per rule 40;

(e) To ascertain the cancelment of all debentures drawn by lot, or paid in by way of advance repayments, or withdrawn for any other reason;

(f) To be present, as required by rule 43, at the destruction of all canceled debentures;

(g) To ascertain at the end of each half year the value of cash loans and of charged debentures, as per section 1 of the law and rule 48.

The minister may also delegate a public official, chosen at the request of the minister by the prefect of the province (collector of the district), to be present at the operations mentioned in (d) and (f).

54. Land-credit banks must send to the minister of agriculture—

(1) A statement of their financial position at the end of every two months;

(2) The annual balance sheet at the close of every year;

(3) A special statement of the loans in arrears and in dispute at the close of every year.

* * * * *

56. A royal decree shall determine the annual contribution to be paid by each such bank as costs of supervision.

LAW RELATING TO REAL CREDIT (ITALY), JULY 17, 1890.^a

(1 to 26) The bank is to have a capital of £4,000,000, of which half or, if the existing banks do not enjoin it, three-tenths are to be paid up before beginning work, the remainder by installments.

The privilege of the exclusive exercise of real credit under the special laws is granted to it for fifteen years, the rights of existing banks which grant real credit under the laws being saved. The sole duty of the bank is to be the grant of real credit, loans being financed by the issue of land-mortgage debentures.

^a This is the newest Italian law; that of 1885 did not meet with full success, and it was decided to attempt the grant of real credit throughout the Kingdom by a single institution, founded by private capital, but with additional privileges, safeguards, and supervision; but also with the proviso that if not successfully started, both as to capital and the grant of loans, within three years, its special privileges should cease.

The leading idea was that the new bank should, if possible, absorb the existing eight land banks and take, in Italy, the place of the great Crédit Foncier in France. For this purpose the law grants it the exclusive right, save that of the existing banks, of exercising organized real credit under the special laws (1885 and the present one) throughout the Kingdom for fifteen years, its operations in general following the provisions of the law of 1885 (q. v.). It is believed that the anticipations of the legislature have not been realized.

At the same time the opportunity was taken of making new provisions for land banks in general, supplementary of the existing law. (See Vol. 1, p. 82.)

The law relating to the new bank is not of sufficient interest for translation—a mere abstract will therefore be given of that part. Some of the sections supplementing the existing law will be translated in full.

The own capital of the bank is to be invested in mortgages granted in cash under the rules of the law of 1885, and it shall thereupon issue debentures; the total issue of the latter shall not exceed ten times the paid-up capital. Capital not immediately laid out in loans shall be invested only in State paper, land mortgage, and agricultural debentures. (See law of 1887 and rules thereon for these last securities in the chapter on "Crédit Agricole" in this volume.) The guaranty and reserve fund shall be wholly invested in mortgage loans made in cash without any corresponding issue of debentures, in cash, or in the securities mentioned in the preceding sentence.

The annual net profits are to be divided as follows: Five per cent to the reserve till the latter reaches one-fifth of the paid-up capital; a dividend to the shareholders, not exceeding 6 per cent; 25 per cent of the remainder to the State, another 25 per cent to the reserve until it reaches the limit mentioned, and the remainder as shall be decided by the general meeting.

The whole assets of every description guarantee the debentures, but debenture holders can proceed only against the bank.

The existing land-credit banks may—but are not bound to—unite with the new one, which will then assume the loans and debentures of the other banks as its own.

GENERAL PROVISIONS.

27. The following provisions shall be applicable to the national bank for real credit, and to the various real credit banks in Italy, which operate under the law of February 22, 1885:

28. (Relates to precautions necessary when mortgages are assigned to the bank; the transferrer must signify that he has transferred all his rights to the bank; notice of this must be sent to all other registered creditors of the property, and duly published, and if within 40 days of such publication no opposition is made to the transfer any subsequent objection shall be absolutely barred.)

* * * * *

34. Where a debtor is in arrears with his half year's dues the bank may, before proceeding to coercive process, demand to be placed in possession of the property, the debtor or other person lawfully in possession being summoned before the court having jurisdiction. The order of the court thereon shall be final and without appeal.

During such possession the bank shall, notwithstanding any attachment or hypothecation resulting from the claims of other creditors, collect all the rents and produce of the property, and, after deducting the expenses of management and the rates and taxes, shall apply them in satisfaction of the arrears and costs then or thereafter due.

The bank shall draw up an annual account of the same.

Such possession shall cease should the bank or any other creditor institute proceedings for the sale of the property by court attachment, or when the arrears are satisfied.

* * * * *

36. When an estate mortgaged to a bank for a loan has been forcibly sold, the purchaser may take the benefit of the bank's loan to the former owner, provided that within 15 days from the date of confirmation of the sale he shall pay the annuity due together with all costs,

and provided that the price at which the estate was sold was above two-fifths of the amount of the debt still due to the bank, or that the purchaser pays down such amount as shall reduce the debt secured by the property to three-fifths. The purchaser in such case undertakes the obligations of the former borrower.

Should the purchaser not accept the above conditions the rules contained in section 28 (f) of the law of 22d February, 1885, shall be applicable.

37. The banks may issue debentures at $3\frac{1}{2}$ per cent. A bank may stipulate with a borrower that the tax ("di ricchezza mobile") chargeable on the interest of the debentures issued against his loan shall be payable by him.

This extra charge shall only be payable when the debentures are issued at $3\frac{1}{2}$, 4 or $4\frac{1}{2}$ per cent.

38. The banks may always withdraw from circulation and repay their debentures, whether drawn by lot or not, and issue in their place debentures at a lower rate. Repayment shall in such cases always be at par.

When such conversion includes all the debentures of a particular series, all the debts against which such debentures were issued shall, within two years, be granted a corresponding reduction of interest. If only a part of such debentures are converted a proportionate reduction shall be granted to all the debts which correspond to all the debentures of the said series.

* * * * *

40. In amplification of the right granted in the last paragraph of section 8 of the law of 1885 borrowers shall have the right of obtaining the liberation from the mortgage of one or more of the specific items chargeable with the mortgage in proportion as repayment is effected, provided that the remaining items properly secure the rights of the bank for the remainder of the loan.

41. If within one year from the date of the present law the new bank shall not have regularly begun the grant of real credit, the conditions of the law relating to the new bank and the limitation of the area of operations of the other banks shall be of no effect.

EXHIBIT K.

LAW RELATING TO THE MORTGAGE BANK OF CANTON BERNE (SWITZERLAND).^a

[Quoted from translation contained in the Report Regarding the Possibility of Introducing Land and Agricultural Banks into the Madras Presidency. (Volume II, pages 38 to 40.).]

LAW RELATING TO THE MORTGAGE BANK OF CANTON BERNE (SWITZERLAND).

1. The foundation capital of the bank consists of contributions by the State, which shall never fall below £280,000.

This capital shall be augmented—

- (1) By repayments made on account of State paper;
- (2) By contributions from the domain's office.

2. The business of the bank comprises—

- (1) Loans on mortgage;
- (2) Advances upon deposit of mortgage deeds, and the purchase of good Swiss securities;
- (3) The receipt of deposits at interest.

The grand council (of State) may extend the operations of the bank.

(The bank is also charged with other financial duties connected with the administration of the State.)

3. *Mortgage loans.*—The bank will only lend on first mortgage of immovable property within the Canton, and in general only up to two-thirds of their value, as ascertained by survey.

(In special cases loans may be granted up to three-fourths of the value.)

The bank will, above all, devote special attention to small proprietors and to small loans, and to cases where the borrowers intend to apply the loans in cancelment of prior debts.

The maximum loan is fixed at £2,000.

4. The bank will grant loans (1) on the execution of mortgage deeds, (2) upon the transfer to itself of mortgages already entered into.

5. (The candidate for a mortgage loan must furnish an exact statement, with full details, of the borrower, the purchase value, extent, class of cultivation, charges, etc., of the property, the insured value of the buildings, the original price of the property, the survey value of each item, and any charges or burdens (sections 2103, 2121, 2135 of the French civil code) on the property; in surveyed communes survey numbers and areas are to be entered).

6. The candidate must send to the council of the commune in which the property is situated the above statement, together with an application to the bank showing the amount and proposed outlay of the loan sought for.

^aSee pages 85–87 of volume 1. This is a State bank, pure and simple. The Canton, with a population of about 537,000, has a complete and independent government, with all the paraphernalia and staff of a large State, hence its ability to work a State bank. The use made of and the responsibility thrown on the communes and the registrar of mortgages are noticeable.

The council will complete the above statement by a certificate—

(1) That the candidate is in possession of full civil rights; should this not be so, the name of his guardian must be entered;

(2) That the property has been truly described; should this not be so, or if the council is aware of other burdens thereon, it must correct or complete the description; it must also add, when necessary, whether the property is especially exposed to damage or loss of value by reason of natural accidents;

(3) That the property is not burdened otherwise than by certain family charges; any error or omission on this point must be corrected;

(4) That the candidate is believed in the commune to be the owner of the property;

(5) That the survey value is exactly entered and that since the last valuation for the land tax nothing has happened to materially diminish the value of the property. Should such diminution have occurred the present actual value should be stated;

(6) That the certificate of the council has been verbally transcribed in the register kept for the purpose in the commune.

7. The commune is responsible to the bank for the consequences of any fraud or negligence by the communal council in the carrying out of section 6.

8. If the property is situated in more than one commune the candidate must obtain a similar certificate from each such commune.

9. The candidate will transmit the above statement and certificate to the registrar of mortgages, who will add thereto a further certificate showing precisely—

(i) The title of the candidate and the date of its confirmation. The registrar must compare the details of the statement relating to the property and of the communal council's certificate with the land registers, and note in his certificate any differences. If there are such as to cause any doubt, he must address the communal council for the clearance of such doubts.

(ii) Any outstanding mortgage charges or rights of third parties chargeable on the estate, with the names of such creditors or parties, and the nature, date, and amount of such charges.

The registrar is responsible for any fraud or negligence on his part in carrying out the above provisions.

10. The candidate shall then transmit the various documents through the registrar to the office of the bank, which shall submit them, with a report, to the directors.

11. The registrar must draw out the mortgage deed (for the candidate) in proper legal form and send it to the bank.

12. The amount of the loan is paid to the borrower through the registrar of mortgages. That officer will immediately copy the mortgage deed into the mortgage registers, and will take heed as to the liberation of the property from all prior mortgage claims or rights, and as to the carrying out of any conditions attached to the loan, after which he will send the mortgage deed with all necessary certificates to the bank. The registrar is responsible to the bank for all consequences resulting from any delay in the transcription of the deed, for the due liberation of the property from any prior rights or concurrent claim which might affect the bank's mortgage, and, in general, for any deviation from the conditions laid down.

13. Mortgage deeds in favor of the bank are not subject to the decen-

nial renewal of registration required by the French civil code, and the mortgage will retain the rank which it took at registration.

14. Mortgages and charges (in existence) may be assigned to (and accepted by) the bank when they present the security required by the present law and when the mortgagor agrees to pay the capital and interest as therein laid down. A mortgagor may demand that his mortgage shall, upon the expiry of the notice period entered in the deed, assign the mortgage to the bank.

For an assignment of this nature it is only necessary that the mortgagor should address to the bank an application showing precisely the nature of the mortgage, etc., proposed to be assigned, together with the name of the creditor, the immovables pledged as security for the loan, the amount of such loan, and the value of each item as entered in the tax registers. The communal council must add to this application a certificate as to the correctness of the entry regarding the survey valuation. Where buildings are insured against fire the secretary of the prefect's office must certify as to the correctness of the entry relating to the assurance.

15. The rate of interest charged by the bank shall exceed by at least 0.25 per cent the rate payable by the bank upon deposits.

16. The bank shall charge on each loan a commission, payable once for all, for the cost of inquiries relating to the loan.

17. Loans made by the bank are repayable with interest by the annuity system, each annuity (including interest) being not less than 6 per cent of the loan. The debtor may at any moment pay up the whole or any part of the capital.

Interest at the rate of 5 per cent will be charged on arrears (i. e., sums not paid within fourteen days of due date).

18. The bank can only require the (immediate) repayment of a loan in full in the following cases:

(1) When the debtor has failed to pay one or more of his installments within three months from the date when notice of the first step in proceedings against him has been duly notified to him;

(2) When the property has been alienated without its consent;

(3) When the bank has reason to suppose that the property has so diminished in value that it no longer presents the security required by section 3, and when the debtor has failed, within three months after notice, to increase the security as required, or when such increased security has not been certified to by a declaration of the communal council;

(4) When the property is either wholly or partly the object of a sale at law.

In cases (1), (2), and (4) the repayment must be made within three months after notice; in case (3) the three months' time allowed for improving the security shall serve also as the period of notice.

19. The communal council is responsible to the bank for loans granted by the bank to the amount of the survey valuation of the property situated in the commune, unless the commune has, under section 6 (5), placed a lower value on the property, in which case the responsibility of the commune extends only to such lower sum.

20. If the proceeds of a property or part thereof sold at law do not attain the amount of the survey valuation as stated at the time of the contract or the amount estimated by the communal council and the bank thereby sustains loss, it may require the commune to pay up the whole amount of the debt, such debt being then assigned to the com-

mune as creditor. In such cases a court notice may be served on the commune before the sale is finally confirmed, so that it may, if possible, safeguard its interest by a higher bid.

The bank may also transfer its position as creditor to the commune, and require from it the whole payment of its debt when it has not been found possible to sell the whole or part of the property by auction.

The commune can, however, never be required to pay up more than one annuity in arrears and any annuities that may have fallen due since the commencement of proceedings, in addition to the balance of the principal still owed and the costs of the proceedings. The commune has its remedy against the members of the communal council if there has been fraud or negligence on their part.

21. The rights granted by the preceding sections are not enforceable against the commune if the loss sustained by the bank is due to an accidental decrease in the value of the property under mortgage or if it has been caused by a general fall in the price of immovable property.

Nor can they be enforced against the commune if the latter or the communal council has notified to the bank, with due proofs, any decrease in the value of the property, and if the bank has thereupon failed to send to the debtor, within one month, the notice contemplated in section 18 (3) and the final notice to repay the debt, and has not followed up such notices (by proceedings) after the expiry on three months.

22-26. (Special provisions for certain districts; of no general importance.)

27. The investments and advances contemplated by section 2 (2) shall be exceptional and temporary and only when there are idle funds which can not be employed under section 2 (1) (mortgages).

28. The bank will receive deposits, as funds may be needed, and will pay interest thereon. The minimum deposit shall be £8. The bank will undertake the payment (for the depositor) of the public taxes due on such deposits.

29. Temporary deposits up to a sum of £8,000 may be received when required for the needs of the bank.

30. The funds of minors and incapacitated persons (trust funds) may be invested in the bank (section 268 of the Bernese civil code).

31. The funds of the State in general and the assets of the bank in particular are pledged as security for obligations contracted by the bank in accordance with the present law.

32. The bank is placed under the supreme supervision of the director of finance and the executive council (of the State).

Its administration is intrusted to a board of fifteen members appointed by Government. The executive council appoints the president and vice-president from the members of the board, which then nominates its secretary.

A committee of five members of the board attends to the details of business.

* * * * *

38. The grand council (of the State) shall issue rules of business for carrying out the present law, especially with reference to the formalities and securities required in the granting of loans, the rules for the administration of the bank, and the powers and duties of the several bodies and functionaries.

EXHIBIT L.

DRAFT BILL SUBMITTED BY MR. FREDERICK AUGUSTUS NICHOLSON,

APPOINTED ON SPECIAL DUTY BY THE GOVERNOR OF MADRAS FOR THE PURPOSE OF INQUIRY INTO THE POSSIBILITY OF INTRODUCING INTO THE MADRAS PRESIDENCY AGRICULTURAL OR OTHER LAND BANKS.

CHAPTER I.—*General.*

* * * * *

2. For the purposes of this act “bank” means any company of seven or more persons associated under this act for the collection of funds, whether in cash or in kind, and whether subscribed, purchased, borrowed, or deposited, which may be used in granting credit; it includes credit societies formed as joint stock companies with a view to the profit of their shareholders; cooperative banks, mutual loan societies, funds, or *nidhis* of any description lending only to and for the benefit of their own members; any other loan societies; deposit and credit annexes to other classes of association; savings banks in which accumulated funds are loaned out or otherwise invested; banks established for the purpose of land improvement only; central banks formed for the supply of capital to *mofussil* banks, for the equalization of their funds, and for the issue to them of central-bank debentures, although such banks may be established at the Presidency town, and although they do not lend their funds or issue their debentures direct to individual borrowers.

“Company” means only companies registered under this act and no others, unless it is expressly stated otherwise.

“Commissioner” means the authority intrusted with the registration of companies under the act and with the supervision of rural credit, by whatever designation he may be actually known.

The words “Limited by share” shall permit a liability on the part of shareholders or members in case of liquidation to contribute such proportionate additions to the share amounts as may be prescribed by the memorandum or articles of association. It shall also include in the case of cooperative mutual or savings banks a limitation of the liability of nonborrowing members to amounts actually paid or in arrears upon shares, should provision to that effect be made in the articles.

“Land” includes all immovable property.

3. Registration may be effected either under the present law or under the Companies act, but only banks registered under the present law obtain the privileges granted therein. Registration may be effected under the condition and with the privileges hereinafter following. No company shall be registered under the present act unless a general meeting of all shareholders or subscribers shall have been previously held, at which meeting the promoters and directors shall present a

written report, stating the objects of the company, a list of the promoters, directors, and shareholders, the prospects of the business, all facts and statistics necessary to prove the reasonableness of such prospects, together with a copy of the memorandum and articles of association. Should the meeting approve of the establishment of the company, the above documents shall be forwarded in duplicate to the commissioner for the registration of the company. The commissioner shall have the power to refuse registration if the above formalities have not been complied with.

The original documents shall be returned after registration, the duplicate copies being retained by the commissioner.

4. The provisions of the Indian Companies' act, so far as they are not modified or canceled by the present law, apply to all banks registered under the present law.

All penalties prescribed by this act shall be leviable in like manner as penalties under the Indian Companies' Act.

5. The primary object of each bank registered under this act shall be the supply of capital to agriculture and rural industries by the promotion of general thrift, to which end it shall furnish credit—

- (1) for the redemption of prior debt;
- (2) for the current needs of the rural classes;
- (3) for the purchase and improvement of land;
- (4) for direct agricultural and industrial developments.

But no loans shall be granted to mines or for mining purposes or for the prospecting for mines, nor shall any investments be made in such enterprises, nor in any enterprises of a speculative nature.

Credit operations may be (1) the grant of loans on first mortgage; (2) the discount of bills; (3) the grant of loans on simple bond or note either with or without sureties; (4) the grant of loans on pawn or pledge or on bills of sale; (5) the opening of cash or book credits. Loans by means of which all prior mortgages are redeemed are considered as first mortgages. Banks may undertake the supply of goods needed by agriculturists, such as cattle, implements, seeds, manures, food stuffs, and the like, as also the purchase of rural produce.

6. *Inability to hold land.*—It shall not be lawful for the banks to hold land beyond that required for business premises; the temporary acquisition of land as the result of foreclosure, or otherwise on account of a debt, is permitted, but all such land must be sold within three years from date of acquisition. No director, office bearer, officer or servant of any bank shall be permitted to bid for any lands sold for any dues of the bank.

7. *Articles of association.*—The articles of association must contain—
Definitions;

The name and place of office of the company;

The objects and area of its enterprise;

The nature of the liability of its members;

Rules for the rights and duties of members individually toward the company, and of the company toward members individually;

Rules for the general meeting, ordinary and special;

Rules for the appointment, powers, conduct, and duties of directors;

Rules for a committee of supervision and audit;

Rules for a committee (as for valuation, discounts, etc.);

Rules for the inspection of books and accounts by individual members;

Rules for the appointment of special or regular inspectors for the examination of its affairs and accounts, or, if a union, of the affairs and accounts of its component societies;

Rules for the giving of security by officeholders and staff;

Rules for the amount of its capital and number of shares;

Rules for the increase and alteration of capital;

Rules for calls upon shares;

Rules for the transfer, transmission, and forfeiture of shares;

Rules for founders' shares, if any;

Rules for the formation and permanent upkeep of a reserve, or reserves;

Rules for the securing of proper accounts;

Rules for the appropriation of profits and the declaration of true dividends;

Rules for preparing the balance sheet;

Rules for audit, whether of its own account, or, if a union, of the accounts of its component societies;

Rules for the obtaining of funds, and therein for the issue and management of debentures, for the receipt, investment, and repayment of deposits, ordinary or savings; for other borrowings;

Rules for the grant of credit, and therein for loans upon mortgage, for loans on other security, for discounts, for cash credit, for dealings by way of pawn, bills of sale, etc.;

Rules for the valuation of securities tendered;

Rules for investments other than on loan;

Rules for operations other than the grant of credit;

Rules for the settlement of disputes between the company and its members;

Rules for the periodical communication to members, creditors, and debtors of their credit and debit balances;

Rules for such other matters as may be necessary.

Copies of the articles and of all amendments thereto shall be registered with the commissioner, who shall have power to examine their legality and to refuse registration to such as are not warranted by law, and shall also advise, but not authoritatively, upon such as may be considered inadvisable or objectionable, but not illegal. No bank shall commence business without the certificate of the commissioner that its articles have been duly registered and that the other conditions of the law have been duly complied with. Each society shall also draw up rules of business prescribing the details of the methods and forms of accounts, of the conduct of the office, of the inquiries relating to the grant of loans, and of all other matters necessary for the safe and businesslike conduct of the company in its various transactions. A copy of such rules, as amended, shall be sent to the commissioner, who shall advise upon the details to be observed.

CHAPTER II.—*Joint stock banks limited by shares, not being cooperative, mutual, or savings banks.*

8. In this chapter the word "bank" shall refer only to joint-stock banks limited by shares, and registered under this act, and shall not refer to banks of unlimited liability, or to banks limited by guaranty, or to cooperative, mutual, or savings banks, or to land-improvement banks under the special provisions enacted for their encouragement.

9. *Share capital.*—The capital of the bank must be fully subscribed,

and at least one-half must be paid up before banking operations begin; one-fourth of all paid-up capital must be invested in government stock or other securities appointed by government from time to time, until such time as the reserve hereafter mentioned shall reach the amount of one-fourth of the nominal capital: *Provided, however,* That such investment shall not be necessary should the articles provide for an additional liability of the shareholders in the proportion of not less than 50 per cent of the par value of the shares in case of liquidation, as provided in section 2 supra.

It shall be lawful for a bank to declare by special resolution that any part of its uncalled capital shall not be capable of being called up, except in the event or for the purpose of the bank being wound up, such capital shall be called "reserve capital," and shall not be capable of being charged as security for the purpose of borrowing or of being otherwise dealt with, except in case of or for the purpose of liquidation.

10. *Minimum share capital.*—No bank referred to in the present chapter intending to issue debentures against such portion of its assets as may be invested in land mortgages, shall possess a share capital of less than Rs. 5,000, of which one-half shall be paid up during the working of the bank.

11. Every loss of capital shall be forthwith reported to a general meeting to be convoked for the purpose and to the commissioner. Such loss of capital shall necessitate the winding up of the bank unless the general meeting determines to replace the lost capital or to reduce the capital of the bank as provided in sections 13 to 23 of the Indian Companies Act, provided always that such reduction shall not reduce the share capital below the legal minimum required by this act. It shall be lawful to replace lost capital by a withholding of all dividends till such loss shall have been made good. In case of any failure to comply with the requirements of this section the commissioner may take steps for the winding up of the bank. The commissioner shall have power to appoint inspectors to ascertain the fact of a loss of capital, or whether such loss has been made good, or whether the bank is in a sound working position.

12. No share shall be of lower denomination than Rs. 20, and no shareholder may possess more than one-tenth of the share capital.

13. *Dividends.*—Dividends shall be paid out of actually accrued profits only, provided that such dividends may be increased or wholly paid out of any reserve specially formed ad hoc from the profits of preceding years, and not being the general reserve. The payment of dividends by directors otherwise than as above shall be deemed a misdemeanor irrespective of any specific intention on the part of the directors or whether followed or not by loss to the bank. Directors shall be held personally liable for all such payments and shall further be liable to simple imprisonment not exceeding six months or to fine or to both upon conviction before a magistrate.

14. *Profits.*—Interest unpaid, although due or accrued on debts, owing to the bank, shall not be included in the calculation of its profits previous to a dividend.

The surplus profits, from which alone a dividend can be made, shall be ascertained by charging in the account of profit and loss and deducting from the actual profits—

(1) All expenses paid or incurred, both ordinary and extraordinary, attending the management of its affairs and transaction of its business;

- (2) The interest paid or then due and accrued on debts owing by it;
(3) All losses sustained by it. In the computation of such losses, all debts owing to it shall be included which shall have remained due, without prosecution, and upon which no interest shall have been paid for more than one year, or on which judgment shall have been recovered that shall have remained for more than two years unsatisfied, and on which no interest shall have been paid during that period.

15. *Reserve fund.*—There shall be annually deducted from the net profits before the declaration of a dividend, such proportion thereof, not being less than 20 per cent, as shall be determined by the directors, for the formation of general reserve fund until such reserve fund shall equal at least one-fourth of the total nominal capital of the bank. The reserve fund shall not be divisible among shareholders or other, and shall be inalienable, nor may it be in any way pledged or borrowed upon. It shall be invested in government stock or such other securities as shall be from time to time appointed by government, and the interest thereof shall be credited to the same fund.

The reserve fund is primarily a guaranty fund for the creditors of the bank, but may be used to make good any losses not covered in any year by profits, which, however, must be first applied in full to such purpose. It may not be used to increase the dividends of any year. The fund must be kept constantly full, all withdrawals being made good without delay.

16. *Other reserves.*—The articles may provide for other necessary reserve funds which may be used for the purposes indicated in the articles; such are reserves used as special guaranty for debentures, and for the punctual payment of interest thereon; for insuring borrowers against loss by the failure of land improvements; for recouping any loss by depreciation of debentures or other securities; for supplying deficiencies in fixed interest on shares or loans; for equalizing dividends, etc.

Reserves of the first three classes may be formed from special contributions for the purpose demandable from borrowers from the bank; in such case the contribution, with simple interest at 3 per cent per annum may, if the articles so provide, be credited to the final installment of the borrower's debt.

Public reserve.—Government may require the formation of a public reserve or guaranty fund, to which all banks under this act shall annually contribute an amount not exceeding 0.25 per cent of their capital. For the purpose of this section the word "capital" shall mean all paid-up share capital, all deposits, and all sums borrowed for the purposes of the bank, whether by loan, by the issue of debentures, or otherwise, but shall not include the general reserve. Contributions shall be made and the public reserve funds invested under rules to be made by government from time to time, provided that such funds shall not be invested otherwise than in government securities. The interest accruing from time to time upon such securities shall be added to the public reserve, and shall not be credited to the bank. The fund thus accumulated shall be used solely to guarantee the repayment of any sums lost by government by reason of any subvention of guaranty, and of all deposits and debentures and of any interest thereon, held by or due to the public in general, by whatsoever bank such deposits shall be held or such debentures shall have been

issued, and shall only be drawn upon after the due liquidation of a bank under order of a court.

State charges.—Government may require annually a contribution from every bank registered under this act of a sum not exceeding 0.25 per cent of its capital in lieu of all charges for registration of its memorandum and articles of association, for supervision and inspection, for treasury charges, and for an insurance fund for general purposes.

17. *Deposits.*—Deposits repayable at call or at less than three months' notice may be received up to the amount of the share capital and not more, unless with the special authorization of government. Fixed term deposits for three months and upward may be received without such limitation, provided always that the aggregate amount of deposits of all kinds of debentures and of other liabilities shall not exceed the recoverable amount at any time outstanding upon loans and due to the bank, or ten times the amount of the uncalled share capital and reserve, whichever is less.

Banks receiving deposits payable at call, or at less than three months' notice, must hold not less than 10 per cent of the amount of such deposits in government promissory notes, or other securities expressly approved by government and 5 per cent in currency notes or cash.

Subject to the provision of paragraph 2, deposits may be invested in loans not exceeding three years in term.

The articles of association shall fix terms for the repayment of deposits, which shall invariably include a provision that, if necessary for the safety of the bank, one month's notice or more may be required by the directors for the repayment of deposits at call.

It shall be lawful for a bank to issue receipts against fixed-term deposits, made out either "to order" or "to bearer;" such receipts shall then be transferable under the rules hereinafter laid down for debentures and shall be chargeable with similar stamp duty on transfer. Registration under Act III of 1877 shall not be obligatory.

The commissioner shall watch over the observance of the provisions of this section, and it shall be lawful for him either on his own motion or on a verified statement made by not less than 10 members, depositors, or other creditors of the bank, to cause an examination to be made of the affairs of the bank to insure obedience to contents of this section.

It shall be lawful for depositors to be present, but without right of discussion or vote, at all general meetings, and they may appoint or may move the commissioner to appoint for the purposes of the annual audit, a coauditor, who shall have equal powers with the regular auditor of examining the accounts and affairs of the bank.

18. *Debentures.*—Banks registered under present act shall be entitled to issue land-mortgage debentures, provided that they have been specially authorized by government to that effect.

19. The paid-up capital and reserve of banks issuing debentures shall be entirely invested in government promissory notes or in other securities guaranteed either as to principal or interest by government; such securities shall be made out in the name of the commissioner. The interest of such notes shall be paid over half-yearly to the directors for the purposes of the bank. The amount of debentures to be issued shall not exceed twenty times the amount of the paid-up capital exclusive of the reserve.

20. The security for land-mortgage debentures shall be (1) the mass of mortgages held by or secured to the bank; (2) its capital and reserves. The mass of mortgages held by or secured to the bank shall be considered as the special fund guaranteeing the debentures, and in case of liquidation the debenture holders shall take precedence of all creditors, except for state dues, upon and to the value of such mortgages.

All debentures shall be issued in series and shall take equal rank, whatever their date or series.

No bank issuing debentures in series secured as above shall be entitled to issue debentures against any particular mortgage or property; any such specific charge shall be considered null and void, and the debentures shall take rank with all other debentures, subject, however, to the proviso contained in section 27.

The par value of the debentures issued shall at no time exceed the amount actually outstanding upon and secured by mortgages.

All debentures as issued shall be registered in such office and under such rules as shall from time to time be prescribed by the local government.

The government shall also make rules for the forms in which debentures shall be issued, for the entries to be made upon them, and for securing them against falsification and against the fabrication of false imitations.

21. Land-mortgage debentures shall be personal (to order) or to bearer. Personal debentures shall be transferred solely by indorsement to order, a receipt stamp of 1-anna being affixed and canceled on each transfer. The fact and date of transfer and the name and address of the transferee shall forthwith be communicated to the issuing bank on penalty of a fine of Rs. 5.

Debentures to bearer may be transferred without indorsement and may pass freely from hand to hand without registration or other formality or stamp duty.

22. When a debenture is to be paid off its face value shall be paid to the person presenting it. If, however, the debenture be personal, it shall only be paid to the person whose name stands against it in the bank's register, unless sufficient proof be offered of a valid transfer to the presenter by the person so registered or of a lawful transmission to him by succession.

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23. Interest shall be paid at the bank on fixed dates and under the rules contained in section 22 for the payment of the value of debentures.

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24. (Omitted.)

25. Land-mortgage debentures may bear value from Rs. 20 to Rs. 1,000, increasing up to Rs. 100 by any convenient sums, and above Rs. 100 by integral sums of Rs. 50. Debentures of Rs. 20 to Rs. 100 may be subdivided into coupures; in such case each coupure should thereafter be treated as a separate debenture. A debenture registered under Act III of 1877 may not be subdivided.

It shall be lawful for the local government to make such rules for subdivisions as may seem needful, and for the facilitation of subdivision.

26. Land-mortgage debentures may be of any term from one year to sixty years; they may be issued for a fixed term or for a maximum term with periodical drawings for repayment.

Debentures, however, may be recalled and paid off by the bank at any time after six months' notice; such notice shall be issued to the registered holder in the case of personal debentures and by advertisement or other method in the case of debentures to bearer.

The bank may also at any time buy up its debentures in open market or by private negotiation. Holders of debentures which have been drawn or notified for repayment shall have no claim to interest after the date of notification of the result of the drawings or after six months from the date of the notification of recall in any case other than that of recall by drawing.

The holder of a debenture has no claim to repayment and can not make such claim before the recall of the debenture by the bank either upon maturity or otherwise as in the preceding paragraph, or upon its being drawn for repayment in the ordinary course of amortization.

Debentures issued in series and subject to repayment in the course of amortization shall ordinarily be paid off at fixed periods, the debenture to be paid off at each such period being determined by drawings. They shall be repaid at par, together with any premia that may from time to time be determined as payable. The local government shall make rules for the methods and precautions to be adopted in making the drawings.

27. A debenture holder unpaid upon maturity or upon the drawing of his debenture shall, after demand duly made in writing and failing satisfaction within three months after demand, have the power of placing the bank in liquidation or, at his option, of obtaining a charge upon a particular property, security, or mortgage held by the bank and to be named by him; in such case his charge shall take priority of the bank's claim against the said property, security or mortgage, up to the amount of his claim, until such claim be satisfied.

28. It shall be lawful to issue land-mortgage debentures below or above their face value, but repayment shall always be at par:

Provided, however, That it shall be lawful to issue a series of such debentures with the promise of repayment at par plus a premium, such premium to be equal amount on each debenture.

It shall also be lawful to declare a premium on all the debentures to be paid off at a particular drawing, provided that such declaration be made before the drawing takes place. But it shall not be lawful to issue debentures repayable with prizes only to particular debentures, the numbers of which are to be determined by lot or chance.

29. (Omitted.)

30. Banks are also empowered to issue debentures against (1) simple bonds with two or more sureties executed by ryots paying land revenue to government and in possession of their land, (2) against bills of sale as drawn against the entire present or future movables of a farm, and (3) against bonds secured by a charge upon the plus value caused by a land improvement. These three classes of bonds shall be called agricultural debentures.

31. Agricultural debentures of the first class shall be secured by so much of the portfolio of the bank as consists of simple bonds of the class mentioned, by the capital and ordinary reserve, and by a reserve

especially contributed ad hoc. They shall not exceed the term of three years, but shall be withdrawable by the bank at any time on three months' notice.

32. Agricultural debentures of the second class may be issued in representation of loans based upon simple bonds and upon the whole produce and stock of a farm and its homestead as hereinafter (sec. 38) described. They shall not exceed in original the term of one year, with a permissible extension up to a total of three years by annual prolongations, and shall be recallable by the bank at any time on three months' notice.

33. Agricultural debentures of the third class shall be issued in accordance with the provisions laid down for land-mortgage debentures in sections 18 to 29 supra.

34. Agricultural debentures shall be governed mutatis mutandis by the provisions of sections 18 to 29 relating to land-mortgage debentures and subject to the provisions of sections 30 and 31.

35. Debentures of all classes the value of which remains unclaimed or to which no valid claim has been set up within three years from the date of its being drawn for repayment or from the date of the expiry of notice of recall or of maturity shall be credited to the reserve of the bank concerned after due notice has been published. No suit shall lie against the bank for the value of any such debenture after the expiry of the said three years, but the bank may, but shall not be bound to, entertain claims to such sums at any time within the three following years, after which date no claims shall be considered. In case any claim is allowed beyond the expiry of the first period of three years it shall be optional with the bank to allow simple interest thereon.

Where the interest of any debenture has not been claimed within three years from the date of its falling due, it shall be similarly dealt with, but no claim shall be entertained after the expiry of three years.

Rules shall be made by the local government regarding the publication of the notices referred to in this section.

36. The debenture system in all classes shall be under the supervision of the authorities to be hereafter designated for the supervision of rural banks. Every debenture shall be covered to its full value by the mass of loans against which it is issued; it shall be entered serially by consecutive numbers in a special register or shall be extracted from a numbered stub with corresponding counterfoil. None shall be valid without the countersignature of the authority to be designated by the local government for that purpose, nor shall such authority affix his signature without satisfying himself that the debenture is duly covered by the loan transactions outstanding. A duly verified return shall be made by the bank not less often than once in three months, showing (a) the number and aggregate existing value of all loans of each class, (b) the number and value of all outstanding debentures of each class. The accuracy of such returns shall be specially attested by the directors and by the committee of supervision or audit, if such exists, and shall be specially certified by the periodical auditors. It shall be lawful for the commissioner at any time to verify such returns and for that purpose to examine, or cause to be examined, the whole affairs of the bank. But the local government is further empowered to make additional rules consistent with the law, and which shall have the force of law, (1) to insure that the aggregate par value of debentures issued shall not at

any time exceed the outstanding value of the mass of mortgages held by or secured to a bank and to give due publicity to the necessary statistics; (2) to provide for the issue, withdrawal, and cancellation of debentures; (3) to prescribe a proper form of debenture for the collection of stamp duty chargeable thereon; (4) to facilitate transfers, (5) to facilitate and insure the punctual repayment of interest; (6) to provide for the issue of duplicates in case of loss, destruction, or defacement; (7) to control the mode of drawing, by lot or otherwise, ascertaining the debentures to be repaid; (8) to prescribe the notice to be published before crediting the value of unclaimed debentures and interest to the banks.

37. *Loans.*—No loans shall be granted to any one person or undivided family beyond an amount or proportion of the share capital, in no case exceeding one-tenth of such capital, to be laid down by the articles. Nor shall the loans granted to directors and members of the committee of supervision exceed in the aggregate such amount or proportion. Loans upon land shall not exceed two-thirds of the estimated value thereof, nor one-half if upon buildings.

Loans may be repayable either in lump or by installments:

Provided, That the borrower shall always be entitled to repay his loan in whole or in part at any time before the expiry of the term on due notice given, and on payment of a commission as may be stipulated by the articles.

When payable by installments, a loan shall ordinarily but not necessarily be repaid by fixed annuities comprising interest and sinking fund, according to tables to be drawn up for the purpose under the authority and supervision of government.

Loans for land improvements only may be granted under the chapter relating to land-improvement banks. Releases of mortgages shall be subject to the provisions of section 39.

38. Loans may be issued, for agricultural purposes only, upon the security of the whole present and future stock, furniture, and produce of a farm, and with or without the addition of personal securities.

For such loans the bank shall acquire, by the issue of the loan, a charge upon such property and produce, present or future, until the satisfaction of the debt. It shall not be necessary for the purpose of granting such loan to obtain delivery or pawn of the property, nor need specific items of property be pledged for it. During the pendency of the loan the pledger shall be regarded as the trustee and manager for the bank of the property covered by the loan, and may not appropriate such property to his sole use. But he may, with the consent of the bank, sell the produce and alter the specific items of the property, provided that he maintains his stock in proper order and condition, duly cultivates his farm, and pays his installments according to agreement. In case the pledger alienates his stock without the consent of the bank and without replacing it, or suffers his farm to seriously deteriorate, or abandons cultivation, or fails to pay his dues according to his contract, his loan shall immediately become due, and it shall be lawful for the bank to proceed at once by distraint of the property as upon a bill of sale; the pledger shall further be liable for the penalties provided for breach of trust.

Every document evidencing such loan shall be duly registered under Act III of 1877, and shall then take precedence over all other charges

except (1) for Government taxes or dues; (2) for the rent due to a landlord as described in section 3 of Madras Act VIII of 1865; (3) for debts covered by decrees of court in actual existence at the time of the grant of the loan; (4) for claims arising out of prior charges or claims upon specific items of property, and entered in deeds duly registered, and they shall be binding on all cosharers in the land or property contained in the farm. The words "agricultural purposes" entered in paragraph 1 shall be held to mean all purposes connected with the current working, maintenance, and development of a farm, viz, the purchase of seed, manure, implements, and cattle, the growth of crops, whether ordinary or special, including any subsequent manufacture that may be necessary, the planting of orchards, vineyards, and similar plantations, the breeding of cattle, and the making of due provision for their maintenance, the payment of revenue to government, or rent to a landlord as entered in section 3 of Madras Act VIII of 1865, and such other purposes as may be authorized by the local government. But such purposes shall not include the redemption of prior debts, unless such debts do not exceed Rs. 50, and were incurred for agricultural purposes as above defined; nor shall they include the maintenance of the borrower or his family.

The term of such loans shall not exceed originally one year, which may be extended in the total to three years by annual prolongations.

The debt bonds shall be subject to a stamp duty of one-half the ordinary stamp duty. They shall be subject to the provisions of the Registration Act III of 1877, but shall pay only one-half of the ordinary charges.

39. Releases and receipts shall invariably be issued by the bank on the complete payment of a loan, whether applied for by the debtor or not. They shall be in a form to be prescribed by the commissioner, printed, and taken from a stub with counterfoil, which is to be duly entered up. They shall bear a 1-anna adhesive stamp, and shall be subject to the provisions of the Registration Act III of 1877. When the original debt bond or mortgage deed has been registered, the release must invariably be registered. Registration fees shall be one-quarter of the ordinary fees, and it shall be lawful to register such release by mere entry, without transcription, on the margin of the original registration entry in a column to be provided for the purpose, the indexes being entered up as usual.

MANAGEMENT AND ADMINISTRATION.

40. *Directors.*—All directors shall retire at the first ordinary general meeting held after the registration of the bank, but shall be reeligible by the meeting. At every subsequent annual meeting one-fourth or such number as shall be nearest to one-fourth of such directors shall retire and shall not be reeligible at the following annual meeting. Directors shall retire by rotation, the first complete rotation being determined by agreement or by lot; in subsequent years those longest in office shall retire. A general meeting shall have power by special resolution to cancel the appointment of any director on sufficient cause being shown.

41. Every director shall hold a certain number of shares in the company, which may not be alienated, pledged, or charged during his term of office; he shall ipso facto vacate office in case of breach of the

above rule; concealment of such breach or failure to vacate upon breach shall be punishable on conviction before a magistrate with a fine which may extend to Rs. 1,000.

The articles shall declare the number of shares, not being less than 1 per cent of the total capital of the company, to be held by a director, and shall make rules to insure observance of the above condition.

42. Directors are responsible that no operations are undertaken other than those contemplated by the memorandum of association. Each director shall be individually liable for all damages caused to the company by breach of this rule, unless he proves that the operation was protested against by him and that he communicated the fact and his protest to the general meeting held, if any, next after such operation.

43. The provisions of the English directors' liability act, 1890, shall be extended to directors of companies registered under the present law. Directors shall be similarly liable to depositors. They shall be similarly liable to subscribers or depositors in case of untrue balance sheets or other statements purporting to describe the position of the bank.

44. Directors who pay dividends except out of profits actually earned or from some reserve, other than the general reserve, specially formed, ad hoc from the profits of previous years, shall be personally liable to repay the whole of such dividend to the company, saving their right to obtain recovery of any such sums from the recipients of such dividends, and shall be further liable as provided in section 12 supra.

45. Directors shall be bound to call a general meeting within one month after the share capital has been diminished, as prescribed in section 11 supra.

Directors who fail to observe the above rule will be liable for all losses caused by subsequent operations, and shall be further liable, whether subsequent losses or damage to the society or any person occur or not, to a fine upon conviction by a magistrate.

46. Directors and the undivided members of their families shall be ineligible for loans from the bank to which they are directors, except with the express sanction of a general meeting or of the committee of supervision if such exists. Nor can the aggregate of loans granted to directors exceed, on the whole, one-tenth of the nominal capital of the company.

47. No person shall be eligible as a director if he has been a fraudulent bankrupt, or has been more than once insolvent, or if he has been punished under any of the penal provisions of this act, or of the Companies act, or of Chapters VI, VII, IX, XI, XII, XVII and dismissed from government service for any misconduct amounting to fraud, falsification of accounts, bribery, or any other offense involving a serious defect in moral character.

The office of director shall be vacated—

If he, or any partner of his, or the firm of which he is a member, holds any other office or place of profit under the company;

If he becomes bankrupt or insolvent;

If he is punished under any of the penal provisions of this or of the Companies act;

If he is concerned in or participates in the profits of any contract with the company.

Provided, however, That no director shall vacate his office by reason of his being a member of any company which has entered into con-

tracts with or done any work for the company of which he is director; nevertheless he shall not vote in respect of such contract or work, and if he does so vote, his vote shall not be counted.

Any director in office who shall become ineligible through any of the above reasons shall be deemed *ipso facto* to have vacated office.

48. *Committee of supervision.*—Every bank shall form a committee of supervision, which shall be appointed by the general meeting. Sections 40, 41, 42, 43 last paragraph, 44 to 47, shall apply *mutatis mutandis* to members of the committee of supervision. They shall be entirely independent of the directors, and no director can belong to the committee of supervision, nor can any member of the committee of supervision be a director, nor shall any father, son, brother, or undivided member of a director's family be a member of the committee of supervision, and vice versa.

The articles shall fix the number of members for the committee, not being less than three, and the mode of their appointment.

Their duties shall be detailed in the articles and must comprise—

(a) The supervision of the affairs of the bank and the operations of directors so far as to satisfy themselves that business is being conducted within the provisions of the law and the articles, but not so as to interfere with the actual management and conduct of business.

(b) The examination periodically, and not less than once in a quarter, of the books of the bank, in order to verify its transactions and to insure a proper mode of bookkeeping.

(c) The examination frequently, and without notice, and not less than once in a quarter, of the funds, valuables, securities, and stock of the bank, or deposited with them on pledge, caution, or for security, in such way as to insure that they agree with the books and are actually in hand.

(d) The examination of the loan accounts and documents so as to insure that loans are being issued only in accordance with the law and the articles, and especially that loans are not being unduly or irregularly granted to directors and their dependents.

(e) The comparison of the deposit accounts with the pass books of depositors whenever practicable.

(f) The testing of the ledger entries of loan repayments with the receipt books given to borrowers whenever practicable.

(g) The comparison of a proportion of the valuation certificates attached to debt bonds with the securities, whether land, buildings, jewels, or other securities.

(h) The examination in company with the directors of the annual balance sheet and the submission of their remarks upon it to the general meeting.

(i) Such other duties and operations as may appear necessary to the company.

It shall further be competent for a general meeting, by ordinary resolution, to require a report from the committee of supervision regarding any matter relating to the interest of the bank.

The committee shall have power to summon extraordinary general meetings whenever it may seem necessary, and shall summon the ordinary meetings, should the directors fail to do so, within one month of the fixed time or within three months after the close of the business year if no time is fixed by the articles.

They shall, if required, assist at the regular annual or other audit,

and shall, in any case, add their remarks to the audit report submitted with the balance sheet to the general meeting.

49. *Inspections.*—Shareholders holding not less than one-tenth of the whole shares of the bank, or one-tenth of the number of members or creditors, including depositors to whom, in the aggregate, an amount not less than one-tenth of the nominal capital is due, may apply to the commissioner for the appointment of the inspectors mentioned in sections 82 to 85 of Indian Companies act (1882).

The bank may also appoint inspectors as mentioned in section 86 of the Indian Companies act (1882) by ordinary resolution.

Provision shall be made in the articles for the inspection of books by members at any reasonable time or place, but not so that the ledger accounts of members other than the inspecting members shall be viewed.

50. *General meeting.*—The general meeting shall appoint and, when necessary, revoke the appointment of all directors and of the committee of supervision. No shareholder in arrears with any call that may have been made upon the shares shall be entitled to vote at any general meeting.

51. *Audit.*—The local government through the commissioner shall make rules, which shall have the force of law, for the efficient audit of every bank, and for taking all steps for the safety of the bank, its members, and the public, which such audit may show to be necessary, including the winding up of the bank. Auditors shall not be appointed by directors, but by the general meeting, nor shall any director be eligible as an auditor. The commissioner shall have power to appoint an auditor where no proper auditor is appointed by the bank, or where the auditor has been improperly appointed, or when he considers that a coauditor is advisable, and such auditor shall have all the powers of an auditor as ordinarily appointed.

The debenture holders, depositors, and other creditors of any bank shall have the right of jointly appointing a special auditor to represent their interests at the periodical audit. Such auditor shall have the same powers as the ordinary auditors appointed by the general meeting. Any dispute as to the appointment or personality of such auditor shall be referred to the commissioner, whose decision shall be absolutely final, and shall not be open to appeal or to suit in court.

52 to 59. Provides regulations for liquidation. (Omitted.)

60. *Privileges.*—The following privileges shall be granted to banks duly complying with the conditions of this act, viz:

(1) The privilege of distraint of the movables of debtors in arrears with their dues, such dues to include sums paid by the bank as assessment or rent on behalf of such debtors;

(2) The privilege of depositing their strong boxes in the government treasuries;

(3) The privilege of the “purge;”

(4) The privilege of the priority of the bank’s claims in the case of all loans for land improvement;

(5) The privileges, legal, fiscal, and other, entered in section 38 relating to loans for agricultural purposes;

(6) The privilege of the settlement of disputes at a minimum of expense by the government authority having supervision over companies registered under this act;

(7) The privilege of obtaining, *de jure*, an award by arbitrators on behalf of applicants to the bank for loans for the redemption of prior debts;

(8) The privilege of exemption from the operation of the "homestead exemption" clause (o) in section 266 of the Civil Procedure Code for all loans for bona fide land improvements.

The following privileges may be granted by express authorization of government for each bank: (1) the issue of the special classes of debenture mentioned in this act, sections 18 to 36, with the corresponding privileges in the matter of stamp duties and registration rules and charges; (2) the power to sell property mortgaged to the bank without the intervention of the court; (3) the privilege of subventions or guaranties from the state; (4) the power to take action upon a registered document, not being a mortgage or relating to immovable property as though a decree of court.

Privileges, whether those of the first or of the second paragraph of this section, may be withdrawn at any time by government should such withdrawal seem advisable.

61. *Distrain*.—Banks may, in case of arrears, distrain the movable property of defaulters in the manner hereinafter laid down, viz:

Class I.—In the case of arrears of Rs. 20 and under, the provisions of the Madras village courts act shall be applied. The authorized agent of the bank shall present a written demand signed by the authorities of the bank, together with his power-attorney, to the village munsif, who shall then execute such demand as though a decree of his court, and shall prepare and sign a list of the property distrained. All the provisions of sections 52 and 65 of the said act shall be applied to distraints of this class. The costs of distraint and sale, chargeable upon a scale to be laid down by the local government, shall be treated as costs of execution and sale under the said sections.

Objections to the distraint, whether by the defaulter or by any third party, shall be taken by the village munsif as a suit under the act, and disposed of accordingly.

Class II.—In the case of arrears above Rs. 20, the distrainer may proceed as in the Madras rent recovery act, sections 15, 19 to 31, and 35. But the word "collector" in the said sections shall be read throughout as "district munsif's court having jurisdiction."

The provisos of section 52 of the village courts act shall apply to distraints under this class, but the value of the property excepted under clause (b) shall not exceed Rs. 50. The distraint shall be made in presence of the village munsif, or, in his absence, of some other village officer, or of two respectable witnesses who shall attest the list of property distrained.

Property consisting of crops on the ground shall not be attached unless ripe for harvest. Cattle and live stock shall not be removed from the village until the time of sale, but shall be left in care of the village munsif, who shall make provision for their custody, unless the defaulter gives written security that he will produce them. The village munsif, or other witnesses, shall attest such security. All property distrained may be left with the defaulter on his giving proper security for its production.

The distrainer shall send within forty-eight hours a written notice of the distraint, an attested list of the property distrained, the name

and village of the defaulter, the amount in arrear and the date of distress, to the court of the district munsif having jurisdiction.

A summary suit shall lie in the above court against any such distraint for any material irregularity in the distraint or against the distrainer's claim. But no suit shall lie for any irregularity of form or procedure, unless it shall be proved that the defaulter has been materially damaged or prejudiced.

It shall also be lawful for any third person having a bona fide claim to the property distrained to file a summary suit before the district munsif, who shall adjudicate upon it.

The procedure to be adopted in the court of the district munsif shall be that laid down for the hearing of small causes, so far as such procedure is applicable; he may also postpone the sale of the property if necessary. The order of the district munsif shall be final.

Provided always that the amount of arrears distrained for does not exceed the sum for which the district munsif may try suits as small causes; claims regarding larger sums shall be heard as ordinary suits. The district munsif may, and in the case of cattle, live stock, or perishable goods, shall order the return of the property distrained to the defaulter pending disposal of the suit, upon the defaulter giving satisfactory security to the court, either for the amount distrained for with costs of the distress or for the return of the property distrained; the district munsif shall also make such order if the defaulter deposits in court the amount of the distress and costs thereof.

If the defaulter does not appeal against the distraint, by filing a summary suit before the district munsif within fifteen days from the date of distraint, or if a suit be filed and decided against him the distrainer shall at the end of fifteen days fix up in some conspicuous place in the village a notice specifying the property to be sold, and the time and place for sale. He shall also cause a proclamation of the intended sale to be made by beat of drum in the village. The sale date must be fixed not less than seven days from the date of notice.

At the appointed time the distrainer shall put up the property to sale by public auction outside of the bank's office or at the village in which the property has been distrained; the sale may be in lots and shall be knocked down to the highest bidder.

Sales shall, in villages where a weekly market is held, be universally fixed for such market days, and in all cases between the hours of noon and 6 p. m.

If the arrears with interest and costs of distress and sale be satisfied by the sale of a portion of the property, the distress shall be immediately withdrawn as respects the remainder; any overplus shall be paid to the defaulter.

The distraint notice sent to the district munsif by the distrainer shall bear a court-fee label of eight annas. Court fees shall be levied on summary suits before the district munsif as in small cause suits. No court fees shall be levied on any proceedings taken by or before the village munsif for sums of Rs. 20 and under.

Costs shall be allowed to distrainers on a scale to be determined by the local government.

62. Under rules to be laid down by the local government, it shall be lawful for banks to deposit their strong boxes in the local government treasury when not required in use.

63. *The purge.*—When a bank determines that a loan may be granted, it shall be lawful for the bank before execution of the mortgage, to adopt, if necessary, means for the postponement to their claim of any claims not already registered or declared.

In such case the bank shall publish a notice containing a statement of the land or property to be mortgaged and the name of the proposed mortgager, and calling upon all persons to put forward any claims to the property or objections to the mortgage within six weeks. The notice shall be published by affixing a copy at the *chavadi* or other public place of the village or villages in which the property is situated and in which the mortgager resides, and by *tom-tom* in the same village or villages; a copy shall also be affixed on the bank's notice board, and published in two consecutive issues of the District Gazette.

Claimants or objectors who appear in person or by representative within six weeks of the publication of the first notice in the District Gazette, or who file a suit to enforce any such claim or objection within that period, shall be heard and their claims or objections considered; failing such appearance or filing of a suit, any or all objections shall be considered as postponed to the bank's claim or shall be considered as invalid and of no effect as regards such claims. But claims so postponed shall be of full force and effect otherwise than as against the bank's claim.

The postponement of the claims of third parties provided for by this section does not apply to the case of any claims by heirs, mortgages, or charges whatsoever registered before the expiry of the said six weeks calculated as in paragraph 3. The bank is bound to make the necessary searches in the books of the registration department to secure itself against claims duly registered before such date.

64. *Land improvement loans.*—Banks which grant loans under the chapter regarding land-improvement banks, shall, as regards such loans, enjoy the privileges entered in that chapter, including that of priority of their claims over all anterior claims whatsoever.

65. *Privileges allowable under section 38 of this act.*—These are (1) a certain priority of claim; (2) reduction of stamp duties; (3) the reduction of registration charges.

66. Disputes between a bank and any of its shareholders, debenture holders, or other creditors, may, by consent of both parties, be referred to the commissioner, notwithstanding any provisions in the articles to the contrary.

In cases so referred the commissioner shall have the power of an arbitrator under the Companies' act (1882); for the summoning of witnesses and documents he shall have the power of a civil court, and disobedience to such summons shall be an offense punishable under section 174, Indian penal code.

The commissioner's award shall be final and conclusive and shall not be appealable or restrainable by injunction of any court. It shall be carried into effect by procedure under sections 525 and 526 of the code of civil procedure, and the court receiving the award shall not be at liberty to modify or cancel it.

The commissioner may, instead of making an award, state a case for the opinion of the high court and shall pass an award in consonance with such opinion. The commissioner may reject the reference to him, and may order the parties to seek redress in a court. The commissioner shall have power to refer for disposal or for inquiry

and report, any such references to any other person or persons, either selected by himself or designated by the rules of government, or agreed upon by the parties, and such person or persons shall have all the powers and duties of the commissioner, save only that of final decision or rejection in cases referred only for inquiry and report.

The local government shall lay down rules for the mode of reference by banks or persons to the commissioner, and for the fees, if any, to be levied by him.

67. *Arbitration in cases of prior debt.*—When loans are sought for the redemption of prior debts the bank may submit the claim of the prior creditor to arbitration, as follows:

(1) Application may be made to the local village court to make an award. Such court shall entertain such application as though a suit under the village courts act, and shall call upon the creditor to appear upon a given day for the settlement of the award. Where the claim of the creditor does not exceed Rs. 20 it shall be compulsory upon the creditor to submit his claim to arbitration by the village court upon application by the debtor or by the bank on his behalf, and the court may proceed to dispose of the application in the absence of the creditor upon proof of due service of notice. In the case of claims exceeding Rs. 20 but not exceeding Rs. 200, the village court shall have jurisdiction only upon the written consent of both parties, and upon the conditions laid down in the village courts act, for the trial of suits of above Rs. 20 in value.

Awards under this subsection shall be final and conclusive and shall not be subject to appeal, nor shall a suit by either party lie thereon.

(2) Where the claim exceeds Rs. 20, application may be made to the court of the district munsif who shall proceed under the code of civil procedure. Where the claim does not exceed Rs. 50, it shall be compulsory for the creditor to submit his claim to such arbitration upon application by the debtor or by the bank on his behalf, and the court may proceed to the disposal of the application in the absence of the creditor upon proof of due service of notice.

(3) It shall be lawful for the board of directors or for the committee of supervision of the bank to act as arbitrators between the prior creditor and the debtor without the intervention of a court, provided that the consent of both parties in writing has been obtained. In case of such arbitration, not less than three of such board or committee chosen by lot shall act, and their award shall be final and without appeal nor shall any suit lie against such award in the case of claims not exceeding Rs. 100.

(4) Where a number of banks may have grouped themselves into a union, it shall be lawful for such union to form a court of arbitration for the disposal of claims as between creditors and debtors in which any bank which is a component member of the union may be interested. The members of such court shall consist of an indefinite number, not being less than seven appointed by the general meeting of the union, and any claim submitted for decision shall be disposed of by a court of not less than three or more than five members, who shall be chosen by lot. Claims shall only be submitted to such court upon the written consent of both parties, and may be of any amount. The court shall be guided by the provisions of the code of civil procedure in the matter of arbitration, and their awards shall have the effect of and shall be dealt with as awards under that act.

(5) It shall be lawful for the boards of control appointed under the provisions of section 71 of this act to act as courts of arbitration; in such case they shall be guided by the provisions of the above clause (4).

68. *Debentures*.—Companies registered under this act shall not issue privileged debentures of the special classes mentioned in sections 18 to 36 without the special authorization of government.

Rules shall be made by the local government regarding applications for such privilege, for the conditions as to capital, guaranty, area of operation and the like, under which such privilege may be granted.

69. A bank specially authorized by government to that end may use the power granted by section 69 of the transfer of property act to sell property mortgaged to it, without the intervention of the court, and shall not be subject to the limitation contained in paragraph 2 of that section relative to the amount of interest due as a necessary preliminary to the exercise of the power, but shall be otherwise subject to the provisions of that section and to the following, viz, (a) the original mortgage debt must exceed the sum of Rs. 200; (b) in the case of mortgage debts repayable by installments including interest and sinking fund, one complete installment period must have elapsed since the installment due became an arrear; the dues in arrear must exceed the sum of Rs. 20, and more than half the principal money must be still outstanding on the debt; (c) in the case of mortgage debts payable in lump at the end of a term, interest must be due to the amount of at least Rs. 20 and for the period of at least one year.

70. *Subventions*.—Subventions or guarantees from the State may be granted under such rules or conditions as may be from time to time prescribed by the local government.

It shall be lawful for the State to grant subventions either by direct loan or by purchase of the bank's debentures.

All subventions granted without interest or at favorable rates of interest shall, whether principal or interest, constitute the first charge upon the assets of a bank in case of liquidation, and shall be withdrawable on one year's notice by either party; failing repayment of the subvention, it shall be lawful for Government to obtain the liquidation of the bank by application to a court.

Subventions granted at full rates of interest shall not obtain a position of priority.

The guarantee granted by the State may extend either to the principal of the liabilities of the bank or only to the interest due thereon; in the latter case the guarantee shall terminate upon the liquidation of the bank. Any sums paid by the State in pursuance of such latter guarantee shall form the first charge upon the assets of the bank, and shall be paid from any subsequent profits of the bank before the declaration of any dividend to shareholders or honoraria or other fees to directors. Any loss to Government by reason of any subvention or guarantee shall be a charge on the public reserve provided by section 16 *supra*.

It shall be lawful for Government to require that in return for such subvention or guarantee, a proportion of the directors or of the committee of supervision, if any, shall be nominated by Government; such proportion to be fixed by arrangement with the bank.

The power of granting minor subventions, each not exceeding Rs. 100, for the starting of banks, may be delegated to the commissioner, through whom all recommendations for major subventions should pass.

71. It shall be lawful for a court to enforce the terms of any docu-

ment for the recovery of advances made by a bank specially so privileged, upon the mere production of the document, provided (1) that the document shall not be of the nature of a mortgage or relate to immovable property, (2) that it shall have been duly registered, (3) that the money shall have been paid in the presence of the registering officer, and payment certified upon the document by such officer. The court shall treat such document as a decree of court, and shall issue execution thereon for so much of the bond amount with interest and costs as shall be entered in a petition which shall be duly verified by the petitioner for execution, nor shall it be necessary, though permissible, to give notice to the debtor or to permit him to show cause against such execution. But it shall be lawful for the debtor to file a suit to set aside the petition and the order thereon, provided that such suit shall be filed within one month from the date of execution or attempted execution of such order. Such suit shall be heard as a regular or as a small cause suit according to the value of the claim.

72. *Supervision.*—Banks shall be subject to the supervision of the local government which shall be exercised by the commissioner for rural credit. The local government shall designate the officer who shall perform the duties of commissioner under this act. The office of the commissioner shall be the office for the registration of companies under this act, and not the office of the registrar of joint stock companies.

The articles of association shall be sent to the commissioner as required by the Companies act to the registrar; the commissioner shall examine them, and, if approved, register and certify them as legal. He shall have power to reject articles that may be contrary to law and shall advise upon the propriety of articles when necessary or whenever desired.

All changes in the articles shall similarly be registered and dealt with, together with copies of the resolutions sanctioning the changes.

The names and addresses of all officeholders other than the ministerial staff shall be communicated to the commissioner with the signature of such officeholders.

No bank shall commence business until receipt of the commissioner's certificate.

All banks shall send in to the commissioner quarterly returns, showing assets and liabilities, mortgage debts and debentures issued, and a complete statement of operations, including the number, value, and rates of interest of loans of each class, the amount of investments in securities separated into classes, and cash uninvested, up to the end of the quarter.

Every year a copy of the annual balance sheet, as passed by the general meeting, together with the report of the auditor, and the remarks of the committee of supervision, if any, and of any reply by the directors, shall be sent to the commissioner in a form to be prescribed by him; also a statement of profit and loss; a detailed statement showing the position of each loan and its present value as an asset on the last day of the year under report; the aggregate amount outstanding on loan and the aggregate amount of debentures outstanding; the amount of the reserve and the investments in which all funds have been placed; the number and amount of all mortgages and other loans in arrears of interest for a period exceeding six months prior to the date of the statement; the number and amount of mortgages foreclosed or sued upon

during the past year; the number and value of immovable properties held by the bank as the result of foreclosure or other legal process or by purchase on account of debt. An abstract, to be prepared by the commissioner, shall also be issued annually in the Fort St. George Gazette and in the gazette of the district where the bank holds office.

The commissioner shall require the bank to keep proper accounts, and satisfy himself that such accounts are kept.

The commissioner shall have power to require each bank to make proper rules in its articles of association, for an efficient audit, and shall satisfy himself that such rules are thoroughly observed. Should any bank fail to make proper rules, the commissioner having due regard to the circumstances, business and surroundings of the company, shall make suitable rules which shall then be binding on the bank. In case of willful neglect of rules the commissioner shall have power to make a proper audit and to charge them with the necessary expenses.

Every bank shall be inspected by the commissioner or his delegates at least once in every two years, and as much oftener as may be necessary. On every such examination inquiry shall be made as to the condition and resources of the bank, the mode of conducting and managing its affairs, the action of its directors, the investment of its funds, the safety and prudence of its management, the security afforded to those who have dealings with it, and the due observance of the provisions of the law and of its articles in the administration of its affairs, and as to all such other matters as the commissioner may prescribe. Special regard shall be had in such examination to the state and safety of the capital, to the existence of suitable reserves, to the genuineness of dividends, to the nature and stability of the investments, to the security for depositors, debenture holders, and other creditors, to the punctuality and completeness or otherwise of the collection of dues upon loans, to the condition of the various classes of loans as regards arrears, to the action found necessary against property, especially in land, and to the properties acquired or held by the bank by way of attachment or expropriation, to the actual existence unencumbered of securities purporting to be in hand, to the correctness of the balance sheet, to the verification of deposit or pass books with the ledgers, and to the due valuation of the assets. For such examination the bank is bound to place before the examiner the whole of its books, records, and securities, and its directors, office bearers, and members shall be bound to answer all questions relevant to such examination.

Upon the application of any five members or creditors of a company, who shall present or forward an application duly verified as a plaint setting forth facts with any necessary documents in support thereof which in the opinion of the commissioner demand, warrant, or render advisable an examination of the company's books, the commissioner shall depute an inspector for an examination of the books and accounts.

Upon the duly verified application of one-tenth of the shareholders, or of 100 if the bank has more than 1,000 shareholders, or of shareholders holding one-tenth of the capital, or of depositors, debenture holders, or creditors holding one-tenth of the deposits, debentures, or other debts of the bank, the commissioner may order an investigation of the affairs, management, business, condition, and soundness of the investments of a bank.

Nothing in this section shall be held to prevent the commissioner from ordering at any time any inspection, whether of the books or affairs of a bank, on his being satisfied that such inspection is advisable or in the interests of the bank or of its shareholders, depositors, or creditors or of the public.

Inspectors appointed by the commissioners may be officers of government, professional auditors, or others, but shall not be officeholders of the bank. They may, if necessary, be paid upon a scale to be determined by the local government.

Inspectors shall in their examinations have all the powers mentioned in section 84 of the Indian Companies' act, 1882.

The result of every examination shall be reported to the commissioner; an abstract of the report shall be sent to each person who may have instigated the examination, and a copy of the report, with the commissioner's remarks thereon, to the bank; the report, with the commissioner's remarks, shall be laid before the next general meeting, and in case the report discloses material irregularities or risks to the public or to members or creditors, a special general meeting shall be summoned within one month for the consideration of the report and for the adoption of all necessary remedies.

A copy of the proceedings of such meeting shall be sent to the commissioner within one week. Should the directors fail to summon such meeting, or failing the application of remedies, the commissioner shall have power to call a general meeting for the adoption of the necessary steps, failing which he may, if necessary, apply to the court under section 131 of the Indian Companies' act for the purpose of winding up the bank. He may, if preferred, apply to the court to appoint a receiver for the management of affairs temporarily, or to remove the directors or other officeholders, should the general meeting fail to do so in case of necessity.

Provided, That when the bank is a member of a union established for the purpose and capable of providing efficient inspectors or auditors, the commissioner shall ordinarily confine himself to forwarding the application with his remarks to the directors of such union, who shall take such steps as may be necessary, and shall forward a copy of their inspector's report to the commissioner. Failing the necessary steps by the union or by the bank upon the union inspector's report, the commissioner may act as before provided; and he shall also take the necessary steps when the report of the union inspector discloses the need for winding up the bank, for the appointment of a receiver, or for the removal of directors.

An authenticated copy of the report of an inspector shall be admissible in evidence, as provided in section 87 of the Indian Companies' act. The commissioner shall also have power to file suits, either through his inspector or otherwise, against directors or others who may have caused wrongful loss or damage to the bank and its members or creditors or to the public. He is also empowered to prosecute in the magisterial courts for any offense disclosed by the reports or that may otherwise come to his notice, or for any penalty incurred under this or the Companies' act. For the purposes of this paragraph the commissioner shall be entitled to the services of the public pleader or prosecutor.

The commissioner shall have power to settle disputes as laid down in this act. He shall also act as adviser of the several banks in their

formation, registration, management, and union, and shall for that purpose collect and publish in periodical bulletins information which may be of use to banks, and shall prepare and issue for the guidance and optional use of banks models of articles, accounts, documents, annuity, and, if necessary, life tables. He may, in person or by delegate, preside at the general meeting of any bank preliminary to its formation, if so desired by the promoters, directors, or one-fourth of the subscribing shareholders.

The commissioner shall prepare annual reports on the banks under his supervision, giving all necessary information as to their working, success, and failures, with suggestions for the development of their operation, the amendment of the law or of the Government rules, and on such other matters as may be necessary. The report shall be divided into separate sections for the various classes of bank or company within the supervision.

It shall be lawful for government to make rules for the appointment and working of boards of control and supervision, to which all or any of the powers of the commissioner may be delegated, save only that the appointment, control, and supervision of the examiners or inspectors shall rest with the commissioner alone and not with the boards. The boards shall report to the commissioner all cases in which they are of opinion that a special examination of the accounts or affairs of a bank is necessary. The members of such boards may be paid honoraria and traveling allowances, such expenditure being met from the contribution, if any, payable under the last paragraph of section 16 of this act.

Nothing in this section shall be held to interfere with any special methods of supervision hereinafter provided for the several classes of bank or society.

CHAPTER III.—*Cooperative societies.*

73. *Description.*—A cooperative society consists, for the purposes of this act, of an association of seven or more persons united with a variable capital and societariat for a common purpose, viz, the common economic benefit of the several members and of the members only; such benefits are especially—

- (1) The furtherance of thrift and providence;
- (2) The grant of credit to the members;
- (3) The supply to members of raw material;
- (4) The sale on behalf of members of agricultural produce or of manufactured goods;
- (5) The manufacture of goods or growth of produce cooperatively;
- (6) The purchase of food stuffs, clothing and articles, animals or stock required in agriculture or industry, and their retail sale to members;
- (7) The purchase of machinery and its use in common by members;
- (8) The building of houses and purchase of lands for members;
- (9) The carrying out or development by joint action of an improvement, whether agricultural or industrial.

A cooperative society which receives deposits or which grants or deals in credit is a cooperative bank.

74. *Liability.*—Liability in cooperative societies may be unlimited by guaranty, limited by shares, or limited to a sum in excess of the shares, but restricted by the articles of association to an additional por-

tion of or to a multiple of the share values. It shall be also lawful for societies of the nature of building societies or *nidhis*, which require the subscription of shares by periodical and regular installments up to the date of maturity and then repay the shares, to declare by their articles that the liability of their nonborrowing members extends only to the amount actually paid up or actually due at the date of the commencement of liquidation, and that the liability of their borrowing members shall be confined to the complete repayment of their loans with interest.

75. The capital and number of shares of a cooperative society shall be limited by the memorandum of association, and may be increased as entered in section 12 of the Indian Companies' act. Such capital shall be deemed to be the maximum capital of the society, but it shall not be necessary for such maximum to be subscribed at the inception of the society.

The subscribed capital of the society shall be variable, according as members enter or withdraw from the society; there shall be no limit either to increase or reduction, save only the registered maximum on the one hand and the necessity for the association of seven members on the other.

The provisions of the Indian Companies' act relative to the reduction of capital shall not apply to cooperative societies.

76. *Shares.*—The shares of cooperative societies shall not exceed Rs. 200 in value; each member must hold at least one share, but none shall possess in his own right shares to the value of more than Rs. 5,000.

Every share shall be personal only, and shall not be transferable except under the rules of the society. But every share shall be withdrawable at the will of the holder, subject to such rules as may be prescribed by the articles of the society.

The articles of association shall prescribe the value of each share, the number which may be held by any one member, the mode of subscription, and the term within which payment shall be completed.

77. *Members.*—The articles of the society shall determine the qualifications for membership and the mode of admission, and shall provide an appeal to the committee of supervision, if any, or to the general meeting, in case the directors or committee of admission reject a candidate. No suit shall lie against any refusal to admit a candidate. Every society shall maintain a register of members containing at its head a printed copy, in the vernacular of the society, of the articles of association and showing the name, address, occupation, number of shares and amount paid up thereon, for each member. An abstract of this register, showing the total number of members, the number admitted and the number withdrawn, deceased, or expelled during the quarter, the number under each occupation, the number of shares taken up, their total face value, and the total paid up thereon, shall be sent quarterly to the commissioner.

Each member shall, on admission, affix his dated and attested signature or make an attested mark in such register opposite his name. Before signing, the articles shall be read and explained to him, and his signature or mark shall be considered as binding him to adhesion to the articles.

Each member shall have one vote, unless the articles otherwise decide; but in no case shall a member possess more than five votes.

A member shall not be allowed to transfer his shares unless the rules of the society so permit. The articles shall prescribe the rules under which transfer may be accepted.

Members may withdraw at will from a society.

78. The articles shall determine the notice required and the period, such as the end of the business year, or otherwise, at which withdrawals will be accepted. Withdrawing members shall be entitled to the return of their subscriptions, together with any divisible profits which may have accrued thereon and remain unpaid to them up to twelve months preceding the date of withdrawal. The articles shall decide whether such withdrawing member is entitled to any, and, if so, what share of the profits of the twelve months preceding withdrawal. A withdrawing member is not entitled to demand the return of his subscription till funds are available, but the society is bound to repay him as soon as possible after the close of the year in which he withdraws. If no demand is made, the amount shall lapse to the society upon the expiry of the period of limitation prescribed by the general law. He shall not be entitled to any portion of the reserve, which shall remain with the society, or to any share in the other property of the society.

Withdrawals shall be noted in the register of members over against the entry of the withdrawing member's name, and his dated and attested signature or mark shall, whenever possible, be taken in a column to be provided for the purpose; such signature or mark shall be taken as evidence of the member's actual withdrawal and of its date, but shall not operate as an acquittance for the value of his shares unless it is expressly so stated, and unless a 1-anna adhesive stamp be affixed for sums above Rs. 20.

79. The signatures or marks of members joining or withdrawing must be attested by two members, one of whom must not be a director.

80. The articles shall provide rules for the expulsion of members in case of misconduct, crime, or other sufficient cause. A minute of the reasons for such expulsion shall be maintained by the society in a register to be kept for the purpose.

81. It shall be lawful for decree holders to obtain an order of the court to attach any shares of a member or deposits whether of a member or of a nonmember, in a cooperative society, subject, however, to the exemption contained in section 85 (13) infra. On receipt of the order, the society shall, subject to the above exemption, pay into court such amount as the member would receive on ordinary withdrawal, or the amount of his deposits, but shall, for such payment, be allowed the delay which would have been permissible in the case of ordinary withdrawal.

82. Decease shall be considered as a withdrawal, and the withdrawal value of the deceased member's shares shall be paid to the heirs of the deceased, unless such heir is admitted as a member in his place.

83. The liability of any member, who may have withdrawn or been expelled from a society, shall continue in full force for all engagements of the society entered into prior to such withdrawal or expulsion, for twelve months subsequent to such withdrawal or expulsion, and he shall be considered as a contributory in case the society enters into liquidation at any date within such twelve months, subject to the provisions of section 61 of the Indian Companies' Act. But the estate

of a deceased member shall not be liable to contribute to the assets of a society in liquidation, whether he shall have died before or after the commencement of liquidation:

84. The provisions of Chapter II of this act shall apply to cooperative banks, except sections 8, 9, 10, 11, 45 and 60, and except in so far as the provisions of the present chapter conflict with the provisions of Chapter II.

85. *Privileges.*—Certain privileges shall or may be granted to a cooperative society. The following privileges shall be granted de jure to all cooperative banks:

(1) Exemption of the memorandum and articles of association from stamp duties and from fees on registration with the commissioner.

(2) Exemption from stamp duty on the transfer of shares.

(3) (a) Reduced stamp duties, viz, on mortgage deeds and bills of sale below Rs. 100 in value, between a society and its members, one-half the ordinary rates, provided that during the subsistence of any such document or of documents aggregating Rs. 100 on the same property or on the whole property belonging to one owner, the privileged rate of duty shall not be allowed on any further mortgage deeds unless such subsequent deeds have been executed in redemption of cancellation of the prior deed or deeds; (b) on simple bonds below Rs. 100 one-half of the ordinary stamp duty.

(4) A privileged rate of registration charges, viz, on registrable documents mentioned in clause (3), a charge of half the ordinary rates. In the case of such documents it shall not be necessary to transcribe them in full; it shall suffice to enter the names and addresses of the parties, the property charged, if any, the amount of the loan, and its term, the date of the document, and the names of the witnesses.

Releases of all mortgage deeds of whatever value between a society and its members shall invariably be issued by the society and are subject to the provisions and are granted the privileges of section 39 supra.

The privileges granted in clause (3) a, b, and the reduction of registration charges granted by clause (4) shall ordinarily have effect only for the first five years after a society has been registered; but such period of privilege may be extended indefinitely by the local government if necessary.

(5) The privilege of distraint as entered in section 61 supra.

(6) The privilege of placing their strong boxes in the government treasuries.

(7) The privilege of the "purge," as entered in section 63 supra.

(8) The privilege of priority of claims for certain loans, as entered in section 64 supra.

(9) The privilege of section 38.

(10) The privilege of settlement of disputes by the commissioner, as in section 66 supra.

(11) The privilege of obtaining de jure an award by arbitrators on behalf of applicants to the bank for loans for the redemption of prior debts.

(12) When any trustee, office bearer, or person intrusted with the money or accounts of a cooperative bank dies or becomes bankrupt, insolvent, assigns his property to his creditors, or is subject to legal process of attachment against his property, he having at the time funds or property of the bank in his hands, the claims of the bank

shall have priority over all other claims to the amount of such funds or value of such property and shall be a first charge upon the whole assets of such person, and the executors, assignees or court shall, on proof of the bank's claim, pay over such amount or make over such property within one month of proof of the claim.

(13) Shares in a cooperative society of more than six months' standing from the commencement of subscription, and deposits of more than twelve months' standing from commencement of the deposit, whether such deposits be those of a member or of a nonmember, shall be exempt up to the amount of Rs. 100 in the aggregate from attachment of any description whether by a court, by government for its dues, by a landlord for his rent, or by any other creditor or claimant: where the value of such shares or the amount of such deposits, or the amount of both together, shall exceed Rs. 100, the exemption shall hold good up to the total of Rs. 100.

Provided, however, That such exemption shall not extend to the claims of the society itself for amounts for any cause due to it by the member or depositor.

(14) It shall be lawful for any member of a society above the age of 16 years to nominate the person or persons to whom, in case of his decease, his shares to the value of not more than Rs. 500, or if his nominee is not admitted by the society the withdrawal value thereof, not exceeding the same amount, shall be transmitted. Such nomination shall be treated and operate as a will, but probate of such nomination shall not be required. But such nomination shall be invalid if made in favor of a director or other office bearer, officer, or servant of the society or of any relation, servant or dependent of such persons, unless such director, office bearer, officer, or servant is related to the nominating member, either as husband, wife, child, parent, brother or sister, nephew or niece of the nominator.

Such nomination must be made to the directors in writing by the member, and, when the directors are satisfied of the genuineness of the application, shall be entered in a nomination register to be kept for the purpose; the entry must be signed or marked by the nominating member, and attested by two members independent of the nominating member and having no interest in the nomination. The written application shall be permanently preserved by the society among its records. The entry in the register shall bear a 1-anna adhesive label. The nomination may be revoked or modified at any time with similar formalities, but shall not be subject to modification or cancellation by any regular will or codicil to a will. On the decease of the nominating member, the society shall deal with the case as though one of transfer inter vivos, and may admit the nominee accordingly; should they object to the nominee as a member, they shall pay him the withdrawal value under the conditions applicable to the withdrawals of members. Such payments shall be valid and binding, and no suit shall lie against the society for any such transfer or payment made bona fide and in pursuance of a genuine and bona fide nomination, duly registered and attested as above, but only against the transferee, or the receiver of the money. The society shall make such payment and shall be similarly protected up to the amount of Rs. 500 even though the nominating member possess shares of a greater withdrawal value.

(15) In case of decease without such nomination and without will, it shall be lawful for the society in the case where the withdrawal value of the shares does not exceed Rs. 500, to receive claims from heirs only for the transfer of the shares or for the withdrawal value, and within three months from such decease they shall, unless they have been notified of a petition having been filed in court to determine the question of succession, decide upon the merits of the several claims and shall transfer the shares or pay their withdrawal value to such claimant or claimants as may appear to be the lawful heir or heirs. Before making such transfer or payment they shall give notice thereof in writing and by beat of drum in the village in which the deceased member ordinarily resided; one month after such notice they may proceed to the transfer or payment, which shall be valid and binding, and no suit shall lie against the society or the directors for any such transfer or payment made bona fide, only against the transferee or receiver of the money. This provision shall hold good up to the amount of Rs. 500 even in cases where the withdrawal value exceeds Rs. 500.

(16) The provisions of the above three paragraphs, 13, 14, and 15, shall hold good in the case of depositors in a cooperative society up to the same amounts.

(17) All correspondence with the commissioner or with government may be sent post free, under rules to be made for the purpose by the local government.

(18) The privilege of exemption from the operation of the "home-stead-exemption" clause (o) in section 266 of the Civil Procedure Code for all loans made for bona fide land improvement.

All or any of the above privileges may be withdrawn or modified by the local government at any time for any reasons that may appear sufficient.

86. The following privileges may be granted to a cooperative bank upon the express authorization of the local government, viz:

(1) The issue of special classes of debentures mentioned in sections 18 to 36 of this act with the corresponding privileges in the matter of stamp duties and registration rules and charges.

(2) The power to sell property mortgaged to the bank without the intervention of the court as laid down in section 68 supra.

(3) The privilege of subventions or guaranties from the state.

(4) The power to take action upon a registered document, not being mortgage or relating to immovable property, as though a decree of court.

(5) The privilege of exemption from the operation of the "home-stead-exemption" clause (o) in section 266 of the Civil Procedure Code, for debts due to the bank.

The above privileges may be withdrawn at any time by the local government.

87. Any of the privileges contained in sections 85 and 86 may, with the sanction of government, be granted to any cooperative society, and may be withdrawn from such society.

CHAPTER IV.—*Comprising sections.*

88 to 107, inclusive, are omitted. These sections make detailed provisions for the organization and administration of savings banks.

CHAPTER V.—*Agricultural associations.*

107. *Description and objects.*—Any seven or more persons may unite in an agricultural association. Such association shall have for its sole objects the advancement of agriculture and of the agriculturist, and may undertake or promote any of the following objects, viz:

(1) The purchase of all stock and other requisites for agriculture and the retailing thereof solely to members of the association;

(2) The collection of produce from the members of the association, and the sale thereof for the benefit of such members;

(3) Agricultural credit;

(4) Agricultural assurance;

(5) The establishment of benefit or friendly funds;

(6) The provision of stud cattle;

(7) The employment of veterinary experts;

(8) The study and development of agriculture, including the establishment of reading rooms, lectures, museums, experimental fields, and the like;

(9) The development of agricultural education;

(10) The study and representation of matters affecting the agricultural industry and its development;

(11) Arbitration between agriculturists;

(12) The carrying out of projects of irrigation, drainage, plantation, or other agricultural developments by associated action.

108. *Scope.*—All agricultural associations shall be cooperative and mutual; no business operations shall be undertaken except for the benefit of members, and all profits, after providing for the necessary reserves, shall be divided among the members according to their shares. But the benefits from objects included in section 107, clauses (6), (7), (8), (9), (10), and (11), may be extended to nonmembers.

The provisions relating to cooperative societies may be adopted by association under this chapter, and shall be so adopted by associations dealing with the objects mentioned in section 107, (1), (2), (3), (4), (5), and (12).

109. The articles shall declare the specific objects of the association, and shall provide for all such matters entered in sections 7, 77, 78, and 80 of this act as are appropriate to this form of society, and for such matters as are special to it.

110. Withdrawal from the association shall be permitted at any time, but the liability of the withdrawing member shall continue for all debts due by him to the association, and he shall continue liable for the space of one year for all debts due by the society incurred before his withdrawal.

111. An association under this chapter, if not dealing directly in credit, may acquire immovable property in its corporate capacity without limit as to area or term of occupation.

112. An association shall retain a preferential lien over all stock provided on credit under section 107, clause (1), for members, until complete satisfaction of its claim, nor shall any member sell, dispose of, or in any way charge such stock to the detriment of the association or without its permission. The provisions of section 38 of this act shall apply mutatis mutandis to goods supplied on credit under section 107, clause (1).

113. *Credit.*—No association shall deal in credit direct, unless it shall have adopted the provisions of Chapter III. But any association

may promote the grant of credit by establishing a credit branch or annex. The members of such branch must be members of the association and, further, must be expressly elected or otherwise admitted as members of the credit branch. The branch shall take the form of a cooperative bank, and shall be subject to the provisions of Chapter III; its assets and liabilities, shares, business, accounts, and balance sheet shall be distinct from those of association.

The above provisions apply to associations establishing benefit or friendly funds and assurance branches.

114. *Privileges.*—Associations not falling under Chapter III shall or may be granted certain privileges, viz, those contained in section 85, (1), (5), (6), (10), (12), (17). They may also be granted subventions by the state, whether in the form of loans or of grants for first working expenses, premiums, grants in aid of exhibitions, museums, libraries, schools, experiments or experimental plots, the provision of stud cattle, and the like.

They shall be considered as persons eligible for loans under the land improvement loans act and agriculturists loans act.

115. *Supervision.*—Associations shall be subject to the provisions of section 72 so far as such may be applicable.

CHAPTER VI.—*Land-improvement banks.*

116. *Objects.*—The sole object of land-improvement banks shall be the grant of credit for the permanent improvement and amelioration of landed property, through—

- (1) The bringing of waste lands into cultivation;
- (2) The irrigation of dry lands, whether the banks, channels, wells, and the like, including the leveling of land for the purpose;
- (3) The draining of lands and their embanking against floods;
- (4) The afforesting of lands, including therein provision for hedging and inclosure;
- (5) The plantation of orchards of fruit trees expected to last at least twenty years;
- (6) The erection of permanent buildings for the housing of the owner or occupier of the land, or of his laborers, or of his stock;
- (7) The provision of roads or tramways for the development of the estate.

117. Such banks may be either joint stock or cooperative and shall be regulated by the provisions of Chapters II and III, respectively, subject to the provisions of the following sections.

118. *Loans.*—Loans may be granted up to 75 per cent of the existing value of the land to be improved. During the progress of the improvement, the borrower may demand a further loan or loans up to 75 per cent of the estimated value of the amount spent upon the improvement.

Loans may also be granted at the outset up to two-thirds of the estimated value of the land, including the intended improvement, but in such case shall be advanced only by installments at the discretion of the bank, and after due inspection and valuation of the progress of the work.

Provided, That if the improvements be roads, tramways, or buildings, such loan shall not exceed one-half the value of the land and of such roads, tramways, or buildings.

119. Repayment of loans shall be solely through equal annuities including both principal and interest, but it shall be lawful for the borrower to repay at any time the whole or any part of the loan not being less than 10 per cent of the outstanding balance, in which case he shall be liable to pay a commission not exceeding 1 per cent on the whole balance.

The bank can not demand repayment of the loan otherwise than by the stipulated annuities, except in the following cases, viz:

If the borrower or his successor in interest does not conform to the terms of his contract after notice by the bank;

If the land or the improvement is allowed by the owner or possessor materially to deteriorate, so as to lessen the security of the bank;

If the land is sold for debt or for arrears of revenue or rent;

If the borrower becomes bankrupt. In any of such cases the bank may proceed to sell the land forthwith without the intervention of a court, subject to the provisions of 69, *supra*.

120. All loans granted solely for land improvements under the provisions of this chapter and bona fide spent thereupon shall form charges upon the land itself and shall follow the land notwithstanding any changes of possession or ownership. Section 42 of Madras Act II of 1864 shall not apply to such charges. Such loans so spent shall, moreover, when registered, form first charges on the land and its crops, notwithstanding any prior charges whatsoever, whether registered or unregistered, save only (1) dues for revenue; (2) dues for rent owed to a landholder, as defined in the first clause of section 1, Madras Act VIII of 1865; (3) dues payable to government for prior loans under the land improvement loans act and agriculturists loans act; (4) dues payable to the same or any other bank for loans for similar improvements to the same land. They shall be absolutely binding on all cosharers, heirs, or successors to the land, any contract to the contrary notwithstanding.

121. During the pendency of the bank's charge upon the land the owner or possessor of the land shall be bound to maintain the improvement in full working order, and he shall at least once in a year certify to the bank that the land and improvement are in complete order, and the bank may inspect such land and improvement. Failure to maintain the land or improvement in good order shall entail the immediate recovery of the loan, should the bank so desire.

EXHIBIT M.

ABSTRACTS OF THE AGRICULTURAL BANKING LAWS OF THE VARIOUS AUSTRALIAN STATES AND OF NEW ZEALAND.

[Prepared by G. Fox, M. L. A., and published in the Queensland Agricultural Journal for August, 1903.]

SCHEDULE I.—*Abstract of the South Australian agricultural bank act.*

STATE ADVANCES TO FARMERS—SOUTH AUSTRALIA.

ACTS.—“*The State advances act of 1895*,” and amendment acts of 1897 and 1901.

FUNDS.—*How raised*.—By the sale of mortgage bonds by the state bank, guaranteed by the government. *How operated*.—By a state bank, managed by a board consisting of five trustees and a general inspector appointed by the governor.

ADVANCES.—*To whom made*.—(a) To farmers and other producers, and in aid of industries proclaimed as “rural industries,” (b) to local authorities. Farmers and other producers include farmers, graziers, and persons engaged in agricultural and pastoral pursuits. Rural industries includes the freezing of meat for export, the manufacture of wine, dairy produce, or any other industry which may be proclaimed a “rural industry.” *For what purpose*.—(a) To farmers and other producers as defined; (b) to local authorities, for the purpose of purchasing or otherwise acquiring bridges, wharves, roads, or other permanent improvements, and for the redemption or conversion of existing loans. *For what term*.—For seven years upward to forty-two years. *For what amount*.—To farmers and other producers, and in aid of industries. (a) On freehold: To the extent of three-fifths of the unimproved value of the land and the permanent improvements thereon, plus one-third of the value of any cultivation, such as a vineyard or orchard; the last assessment of the unimproved value of the land by the commissioner for taxes not to be exceeded in the valuation for the advance; (b) On Crown leasehold: To the extent of a sum not exceeding half of the selling value of such lease, including the interest of the holder in any permanent improvements on the land. No advance to one company or person to exceed £5,000. To local authorities: The advance shall not exceed the cost of any works to be constructed or acquired, or the amount of the loan to be redeemed or converted, or such sum as an annual rate of 6d. in the pound on the assessed annual value of the rateable property of such local authority. *Security required*.—By farmers and other producers: A mortgage over the land and bill of sale over the buildings, etc. By local authorities: The security of their rates. *How paid*.—By bonds or otherwise, at the option of the bank. *How repaid*.—In half-yearly installments of principal and interest on the 1st April and 1st October each year, either in cash or by bank's bonds. Each advance carrying interest not exceeding 5 per cent per annum.

SCHEDULE II.—*Abstract of the Western Australian agricultural bank act.*

WESTERN AUSTRALIA.

ACTS.—“*The agricultural bank act of 1894,*” and the amendment act of 1896.

FUNDS.—*How raised.*—By sale of government bonds bearing interest at 5 per cent per annum, payable half-yearly. *How operated.*—By the agricultural bank, under a manager appointed by the governor.

ADVANCES.—*To whom made.*—To farmers or other cultivators of the soil. *For what purpose.*—For making improvements on unimproved holdings, or adding to improvements already made. Improvements includes clearing, cultivating, ringbarking, fencing, draining, wells, reservoirs, buildings, or other improvements, which in the opinion of the bank manager increase the agricultural or pastoral capabilities of the land. *For what term.*—Thirty years. *For what amount.*—Not exceeding three-fourths of the fair value of the improvements proposed to be made. No one person to obtain an advance or advances exceeding £800. Interest at the rate of 6 per cent per annum to be paid thereon in half-yearly payments. *Security required.*—Deed or instrument of mortgage over freehold, or special occupation lease, conditional purchase, and homestead farms. Advances to be made on first mortgage only, but security in addition to the land to be advanced upon may be accepted. *How paid.*—In cash, either in one sum or in installments, as the improvements proceed. *How repaid.*—In half-yearly installments equal to one-fiftieth part of the advance, such repayments to commence five years after the date of the advance.

SCHEDULE III.—*Abstract of the New South Wales agricultural bank act.*

NEW SOUTH WALES.

ACTS.—*The advance to settlers' act of 1899.*”

FUNDS.—*How raised.*—By sale by the treasurer of government stock, bearing interest at the rate of 3½ per cent per annum. *How operated.*—By a board of three members appointed by the governor, such board being attached to the department of the secretary for lands.

ADVANCES.—*To whom made.*—Holders of freehold land or Crown lease, including mortgagors. *For what purpose.*—For the relief of settlers financially embarrassed owing to the recent droughts. *For what term.*—Ten years. *For what amount.*—No advance shall exceed £200. *Security required.*—Mortgage, charge, or other security to be prescribed by regulation. Advances on mortgaged property only to be made with the consent of the mortgagee. *How paid.*—In cash. *How repaid.*—The act leaves it to the board to decide.

SCHEDULE IV.—*Abstract of the Victorian agricultural bank act.*

VICTORIA.

ACTS.—“*The savings bank act of 1890.*” Amendment of 1896. Divisions 3 and 4.

FUNDS.—*How raised.*—By sale of bonds by the commissioners of the savings bank, guaranteed by the government, and bearing interest at the rate of $3\frac{1}{2}$ per cent per annum, payable half-yearly. *How operated.*—By the commissioners of the savings bank.

ADVANCES.—*To whom made.*—Farmers, graziers, market gardeners, or persons employed in agricultural, horticultural, or pastoral pursuits. *For what purpose.*—To assist in paying off liabilities already existing on the land to be secured. To pay off money owing to the Crown in respect of such land. To make improvements or to develop the resources of the land by carrying on agricultural, horticultural, viticultural, or pastoral pursuits on such land. *For what amount.*—On freehold: To the extent of two-thirds of the actual value of the land at the time of the advance. On Crown leasehold: Two-thirds the actual value of the land, less the amount of rent payable before a grant can be obtained for the land, together with an additional advance not exceeding 15s. per acre on each acre having an improved value of over £2. Vineyards, hop grounds, orchards, and fruit-growing plantations may receive an increased “special” advance beyond the two-thirds value of the land up to £30 per acre. No advance shall be made for a smaller sum than £50 or larger than £2,000. Applications for advances under £500, to have priority. *Security required.*—Deed or instrument of mortgage. Only first mortgage to be accepted for advance. *How paid.*—By bonds or in cash. *How repaid.*—By sixty-three half-yearly payments of principal and interest. Interest at the rate of $4\frac{1}{2}$ per cent per annum, and total repayment must be at a less rate than 6 per cent per annum.

SCHEDULE V.—*Abstract of the Queensland agricultural bank act.*

QUEENSLAND.

ACTS.—“*The agricultural bank act of 1901.*”

FUNDS.—*How raised.*—By issue of debentures or by an appropriation by Parliament up to £250,000 in the whole. Such debentures, secured upon the consolidated revenue, shall bear interest payable half-yearly at a rate not exceeding 4 per cent per annum. *How operated.*—By three trustees and a manager appointed by the governor.

ADVANCES.—*To whom made.*—The owners or occupiers of freehold or Crown leasehold. *For what purpose.*—Making prescribed improvements, viz., clearing, etc. (see Regulations). *For what term.*—Twenty-five years. *For what amount.*—13s. in £1 of the estimated value of the proposed improvements. No person to receive advances totaling more than £800. *Security required.*—First mortgage. *How paid.*—By cash, either in one sum on completion of improvements or in installments as the improvements proceed. *How repaid.*—During first five years only interest at the rate of 5 per cent per annum is payable, the advance then being redeemed in twenty years by half-yearly payments of £4 0s. 3d. per £100.

SCHEDULE VI.—*Abstract of the New Zealand agricultural bank act.*

NEW ZEALAND.

ACTS.—“*The Government advances to settlers act of 1894,*” and amendment acts of 1895, 1896, 1898, and 1901.

FUNDS.—*How raised.*—By issue of debentures or scrip or inscribed government stock, or otherwise, such bonds being guaranteed by the government, and carrying interest at the rate of 4 per cent per annum. Authorized limit of loans, £4,000,000. *How operated.*—By a general board, consisting of the colonial treasurer, or in his absence the minister for lands or other minister, the superintendent, public trustee, commissioner of taxes (ex officio), and one person outside the civil service, assisted by district boards of three government officers or other fit persons appointed by the governor.

ADVANCES.—*To whom made.*—To (a) freeholders of urban, suburban, and country lands; (b) Crown leaseholders of country lands. *For what purpose.*—(a) On country lands: For such relief to settlers financially burdened as is consistent with the public safety. (b) On urban and suburban lands: For the erection of buildings on unimproved lands and on improved lands. *For what amount.*—Under the installment system: (a) On freehold: To the extent of three-fifths of the value of the security; (b) On leasehold: To the extent of half the value of the lessee's interest in the lease. Under fixed loan system: Not exceeding half value of security. No advance or advances to one individual to exceed £3,000. *For what terms.*—(a) Under installment system: Thirty-six and a half years; (b) Under fixed loan system: Not exceeding ten years. *Security required.*—Mortgage over the land. Only first mortgage to be accepted. *How paid.*—Presumably in cash. The act is silent on this point. *How repaid.*—Under installment system: In seventy-three half-yearly installments of principal and interest at the rate of at least 6 per cent per annum of the sum advanced. Under fixed loan system: At end of term. Interest at the rate of 5 per cent per annum payable half-yearly.

EXHIBIT N.

COMMENTS AND RECOMMENDATION OF MR. CHARLES A. CONANT WITH REFERENCE TO THE ESTABLISHMENT OF MORTGAGE BANKS IN THE PHILIPPINE ISLANDS.

[From a Special Report on Coinage and Banking in the Philippine Islands made to the Secretary of War by Charles A. Conant. November 25, 1901.]

NEED FOR MORTGAGE BANKS.

One of the most influential means of promoting prosperity in the agricultural districts of the Philippine Islands would be a system of loans at moderate rates to agriculturists. The desire for some system of such loans was strongly expressed in many towns and provinces on the tour of the commission for the creation of civil government, and such system is vigorously urged by the commission in their annual report. The methods of agriculture now employed in the islands are antiquated and fail to yield the best results attainable by the culture of the soil. Even such slender resources for their development as the people possessed prior to the insurrection of 1896 have been impaired by the disorders of the succeeding five years, down to the restoration of civil government in the spring of the present year. The means of education in better methods are being offered, to some extent, by the system of agricultural colleges which is provided for in the scheme of education prepared by the efficient commissioner of education of the islands. The instruction given in such improved methods can not well be availed of, however, unless cultivators have the means of acquiring good seed, draft animals, and modern tools. Only by some system of agricultural loans can these means be placed in the hands of the people, and the stimulus given to the agriculture of the islands which will produce the results which their rich resources are capable of yielding.

Governor Taft is especially solicitous that some provision be made for loans for the benefit of agriculture, and at his request I conferred with Señor José Ruiz Luzuriaga, recently governor of Occidental Negros and now a member of the Philippine Commission, in regard to existing conditions and their remedy. Señor Luzuriaga has been himself engaged in large business enterprises and he has had much opportunity for observing agricultural development in his native island, which is one of the largest sources of sugar production in the Philippines. He states—and his testimony is borne out by testimony given to the Schurman Commission and from other sources—that interest rates for agricultural loans are now excessively high. Small money lenders charge interest running as high as 25 per cent per annum, and in some cases approaching, with commissions and charges, the almost incredible limit of 40 per cent. A large corporation which does business in Negros nominally charges 25 per cent, but in effect collects from 30 to 40 per cent upon the value of the amount loaned, by requiring

that the crop of the borrower shall be delivered at the price fixed by the company, that purchases of supplies shall be made from its stores, and that other operations connected with the marketing of the crop shall be conducted under its charge and at its profit. It is obvious that under favorable conditions a rich field lies open here for the loan of American capital at rates which will greatly relieve the present condition of borrowers in the Philippines and yet afford profits far in excess of those which are usually earned in enterprises at home.

One of the reasons for high rates for money in Negros and other parts of the Philippines is the risk involved in the loans. The titles to lands are not always perfectly clear, and there is always the risk incident to a loan which is to be repaid from the profits of agriculture that there will be a failure of the annual crop. Notwithstanding these drawbacks to the lending of money at low rates the security offered by the sugar plantations of Negros, when the land is pledged, seems to be adequate to justify loans of a moderate amount at considerably lower rates than those now paid. The chief difficulty in cases of default would be found in the marketing of lands, but this difficulty would disappear to a large degree if the lands could be worked under modern conditions of culture—with improved machinery and without the crushing burden of the charges made for the use of the capital. While the actual management of a sugar plantation would not fall within the proper functions of a bank, an enterprising American bank would probably find little difficulty in persuading American capitalists to undertake the management under conditions which would insure large profits and relieve the bank from serious risk.

For the creation of mortgage banks in the Philippine Islands it is not absolutely necessary that the authority of Congress should be invoked. Mortgage banking is a matter of local law in most of the States of the American Union, and there is already considerable law on the subject in the Philippine Islands, inherited from the Spanish Government. The general power to legislate on the subject would remain with the Philippine Commission, if Congress should approve and continue their existing powers, with an amendment of the provision of the last army appropriation bill prohibiting the granting of franchises. For these reasons it is not considered essential that Congress should legislate in detail regarding the charters of mortgage banks in the Philippines. A knowledge of local conditions might enable the local government to regulate the details of such franchises with better results than if they were prescribed at a distance of 10,000 miles. It seems to be desirable, however, that Congress should take cognizance of the subject and prescribe certain general rules governing the creation of such banks, both as a guide to the local government in the grant of franchises and as an assurance to the investing public that such franchises will be granted only under sound conditions. Whatever the competence and knowledge of the local government, a legislative act by the lawmaking power of the United States will afford a more definite assurance of permanency of policy to the investing community at home and abroad. For this reason it is recommended that some sections be attached to the bill regulating banking in the islands, if such a bill is passed, providing the conditions upon which mortgage banks may be established.

RESTRICTIONS UPON MORTGAGE BANKS.

The limitations which should be imposed upon banks engaged in the mortgage business are the fundamental ones, which distinguish such forms of banking from commercial banking. Banks engaged in accepting deposits payable on demand, and especially those engaged in the issue of circulating notes, which are also payable in lawful money on demand, can not safely embark any portion of their deposits in securities which can not be quickly converted into cash at need. A bank devoted wholly to mortgage business, on the other hand, may derive its resources, if it is properly conducted, from deposits for long terms or from the sale of bonds payable at fixed dates. The method adopted by the leading mortgage banks of Europe, to which the Philippine Commission have made reference in their annual report, is to sell bonds from time to time in comparatively small blocks maturing in a general way and on the average at about the time when given amounts of their mortgage loans mature. The proceeds of the loans constitute the resources from which the bonds may be redeemed. In practice, new issues of bonds are usually eagerly taken by investors and the proceeds applied to the continuance of old loans and the granting of new ones, but the condition of solvency required for such banks is the same as that for commercial and note-issuing banks—that they shall have at command the resources for meeting their obligations when they mature. The difference between them consists in the fact that the obligations of commercial banks may mature at any moment without notice, while those of mortgage banks mature only at fixed dates, against which full preparation can be made.

If Congress authorize mortgage banks in the Philippine Islands, it is recommended that such banks be governed by the following restrictions:

1. That no such bank shall be authorized with a less capital than \$250,000.
2. That such a bank shall not loan more than 10 per cent of its aggregate resources to any one person, firm, or corporation.
3. That such a bank shall not loan upon any real estate more than one-third the market value of such property as determined under regulations to be framed by the government of the Philippine Islands.
4. That such a bank shall not loan more than one-third of its aggregate resources upon the security of building lots or buildings in cities or large towns.
5. That such banks shall be subject to such visitation, inspection, and regulation as may be imposed by the government of the Philippine Islands.

These restrictions are for the most part such as justify themselves without extended argument. A small mortgage bank is exposed to the risk of failure by a few losses, which could be readily covered from profits and surplus by a larger institution. A small bank, moreover, would probably make most of its loans in a single locality, and its fortune would be bound up with those of a few industries, perhaps a single industry, in that locality. A large bank on the other hand would be able to extend its operations by means of branches into various parts of the Philippine Islands, and losses in a given locality would be compensated to some extent by profits and the safety of investments in other localities.

The provision that a mortgage bank should not loan more than 10 per cent of its resources to any one person or corporation is designed to prevent the same evil as the requirement that the bank shall have an adequate capital—the locking up of the whole or a large part of the resources of the bank in a few risks. This provision is rendered still more conservative by the third limitation suggested—that loans shall be limited to one-third of the ascertained market value of the property which forms the security. In order to prevent improper inflation of value by the parties in interest, the rules governing the determination of market value are placed under the control of the government of the islands, and may, in their discretion, provide for the participation of some public officer in such valuation.

The limitation of loans in cities and large towns is designed to give the benefits of the proposed system chiefly to the agricultural sections. It also has the merit of guarding against the speculation which sometimes occurs in city lots and give to them for a time a market value which is subsequently lost. Limitations of this sort are prudent, even where speculations can not occur to the extent which is likely to prevail in an undeveloped country. The *Crédit Foncier*, the leading mortgage bank of France, has been subjected to more or less criticism for entering upon a form of speculative loans with builders, by which money was advanced for new buildings which were not obviously required by rental conditions, simply for the purpose of finding an outlet for its resources. If such operations could be carried on in such a long settled and conservative country as France, where values change but little over long terms of years, it is obvious that the danger would be much greater in an undeveloped country where the expectations of early development in particular places might be disappointed by events.

MORTGAGE LOANS BY COMMERCIAL BANKS.

The familiar reasons which prevent commercial banks from engaging in mortgage loans have already been set forth. These reasons are subject to some qualification, however, in the case of banks of large capital, long standing and abundant resources. Such banks may, without risking the liquid character of the assets held against demand liabilities, set aside a certain portion of their capital or surplus for permanent investments. Many of them actually do this by the purchase of bonds and shares in industrial enterprises. Within narrow limits it is possible for such bank to go further and invest in mortgage loans, provided that the remaining and liquid assets of the bank are amply sufficient to meet all of its demand liabilities and to afford a reserve against the failure of any part of these assets. The fact that a certain percentage of capital can be safely set aside for mortgage loans is recognized, as stated by the commission, by the statutes of the *Austro-Hungarian Bank*, and of the *Imperial Bank of Russia*, each of which issues the entire credit paper currency of the country where it is established.

It is recommended, therefore, that banks having a capital of not less than \$1,000,000 be authorized to devote one-fourth of this capital, in their discretion, to mortgage loans. This power need not be conferred absolutely, however, even upon a bank of this size, but may be left subject to the approval of the government of the Philippine Islands. This condition would necessarily involve compliance with any special

safeguards or limitations which such government might see fit to impose. A bank of large capital should be subjected to the same limitations in the use of that part of its capital devoted to such loans as those imposed upon banks devoted exclusively to mortgage business.

The reasons for giving the power of making mortgage loans to banks not exclusively devoted to this class of business is found in the necessity of providing for this type of loans at the earliest possible date. While large profits would undoubtedly be derived from the operations of a mortgage bank in the Philippine Islands, it is possible that capital might be more promptly attracted by the opportunities open to a commercial bank or to a trust company or finance company engaging in various classes of business at the same time. In such a case, the benefit of a lower rate for mortgage loans would continue to be denied to the agriculturists of the islands if such banks were forbidden to make such loans. It seems to be desirable that Congress should impose such restrictions as are here recommended upon any future mortgage loans by corporations, even if such loans are only a part of their general business. The provision suggested, if made applicable to any bank authorized to do business in the Philippine Islands, would limit mortgage loans by corporations to those having capital of \$1,000,000 and to those complying fully with the restrictions above recommended, but would not prevent the grant of the power of mortgage loans to trust companies or other institutions not directly regulated by authority of Congress or by the Comptroller of the Currency of the United States under the national-banking law. Such restrictions are properly made applicable by law to all corporations, because their officials dispose of the capital of others; but none of these restrictions affects in any manner the right of private persons to loan their own capital on any terms and with or without security as they may see fit. Strong inducement to outside capital to enter the islands for the purpose of mortgage loans is as vital to the agriculturist as the increase of commercial banking facilities and of paper currency are to the merchant and general trader, and provisions which will accomplish this end will do much to promote the contentment of the people and consolidate American influence in the Philippines.

REPORT ON AGRICULTURAL BANK OF EGYPT.

EXHIBIT NO. 4.

REPORT ON THE AGRICULTURAL BANK OF EGYPT.

[By E. W. Kemmerer, Special Commissioner to Egypt.]

ITHACA, N. Y., *June 1, 1906.*

SIRS: Pursuant to a resolution of the Philippine Commission under date of February 9, 1906, appointing me as special commissioner to Egypt, with instructions to make a study of the Agricultural Bank of Egypt, and to prepare a report on the same, to be submitted to the Secretary of War and to the Philippine Commission, I have the honor to make the following report, which should be considered as supplementary to my report to the treasurer of the Philippine Islands under date of February 7, 1905, concerning the advisability of establishing a Government agricultural bank in the Philippines.

INDEBTEDNESS OF THE FELLAHEEN.

At the time of the establishment of England's so-called "single control" in Egypt in 1883, the Egyptian fellaheen, as well as the Egyptian government, were badly in debt. For years the fellaheen had been the victims of a most oppressive and unjust system of taxation. The burden of the taxes fell upon the poor peasants, while the wealthy landowners were either entirely exempt or escaped by the payment of merely nominal amounts.

The tax collectors were as a rule unscrupulous men, who took every piastre^a they could lay hands upon, regardless of law, or of justice. Only a small part of the money collected ever reached the public treasury, and of that amount only a small proportion was expended wisely and for the benefit of the public. The situation is well described by Viscount Milner:^b

The fellah had for years past been driven to borrowing, and to borrowing on ruinous conditions, by the government itself. The tax gatherer had paved the way for the usurer. It was not the amount of taxation, crushing as in many cases it was, which did the mischief. It was above all the irregular, cruel, and arbitrary manner in which the taxes were collected. The fellah was seldom sure of the amount which would be demanded of him. He was never sure of the moment when the demand would be made. That moment might, as likely as not, be the very one at which he was least able to pay. Called upon to find ready money while his crops were still in the ground, he was simply driven into the arms of the money lender. His choice lay between so many blows of the kurbash and the acceptance of the usurer's terms, however onerous. Under these circumstances money was borrowed at as much as 60 per cent per annum. Worse than that it was obtained by the sale of the growing crops, which were estimated

^a The unit of value in Egypt is the Egyptian pound, the symbol for which is £ E. The Egyptian pound is divided into 100 piastres, the symbol for which is P T., and the piastre is divided into 10 milliemes, the symbol for which is M. The Egyptian pound weighs 8.5 grams of gold 875 fine, and is therefore worth £1 0s. 6½d. sterling, or almost exactly \$5 United States currency. The piastre is accordingly the equivalent of 5 cents American money, and the millieme the equivalent of ½ cent. The English sovereign, which is the principal gold coin circulating in Egypt, passes current at the rate of P.T. 97½.

^b England in Egypt, eleventh ed., p. 82.

for the purpose of the advance at half or less than half their value. This state of things was bad enough, and it was pretty general; but the ruin of the cultivator was consummated in many instances by positive collusion with the usurer on the part of the corrupt officials. The latter would demand the payment of taxes by the peasant, who was already in debt, at the very time when the interest on his debt was due. If he had any cash at all, the authorities were bound to get it. When the usurer came after them nothing was left to the fellah but to surrender his land and cattle or to renew his bond on still more ruinous terms. He was, in fact, entirely at the mercy of the lender.

Sir Auckland Colvin says the exactions of usurers ranged from 25 to 200 per cent.^a Interest charges of 40 and 50 per cent were common.^b

The Earl of Cromer in his report for the year 1895^c cites the following instances as illustrative of the relations which generally existed between the money lenders and the ignorant cultivators:

A small cultivator in Upper Egypt borrowed £10 from an European money lender. In order to obtain the money, he was obliged to sign a bond for £15. He states that for three years he paid £5 at the end of each year. At the end of the third year he was asked to repay the capital sum of £15. This he first refused to do, alleging that account should be taken of the payments already made. As no written documents other than the original bond for £15 had passed, the annual payments could not be proved. The creditor then threatened legal proceedings. These would have been instituted at Cairo, some 400 miles distant from the residence of both the creditor and the debtor. Rather than go to the expense of a lawsuit, the debtor sold his house to the creditor for £61, the price being fixed by the latter, who then deducted £15 on account of the original debt, and £14 for the expenses of sale and transfer. The balance, namely, £32, was then handed over to the debtor. It will be seen, therefore, that besides being obliged to sell his house for a sum which was probably below its market value, the debtor paid no less than £34 in the shape of interest and legal expenses in return for a loan of £10 for a little more than three years.

The following table shows the mortgage indebtedness of Egyptian landowners for the years 1894 and 1902, and affords an idea of the distribution of land among different classes of proprietors. The figures for indebtedness do not include the great mass of debts not secured by land mortgages, as, for example, those secured by the pledging of growing crops or by other property. It is probable that the figures for 1902 are considerably more complete than those for 1894.

TABLE I.—*Distribution of agricultural land and indebtedness of the Fellahcen.*^d

Classification of landowners.	Number of land-owners of each class.		Area of land owned by each class of landowners.		Area of land mortgaged. ^e	
	1894.	1902.	1894.	1902.	1894.	1902.
Owners of 5 feddans and under /...	513,080	875,202	<i>Feddans.</i> 933,700	<i>Feddans.</i> 1,171,338	<i>Feddans.</i> 21,400	<i>Feddans.</i> 71,854
Owners of 5 to 10 feddans.....	75,130	79,336	552,700	556,422	16,000	43,110
Owners of 10 to 20 feddans.....	39,620	38,825	560,300	539,008	20,400	48,790
Owners of 20 to 30 feddans.....	13,140	11,909	326,100	292,310	19,600	34,714
Owners of 30 to 50 feddans.....	8,980	8,813	347,800	338,922	25,900	53,463
Owners of more than 50 feddans...	11,430	11,996	2,000,700	2,266,388	292,300	778,560
Total.....	661,380	1,026,081	4,721,300	5,164,388	395,600	1,030,500

^a The Making of Modern Egypt, second ed., p. 280.

^b Compare Phil. Agric. Bank Rep., pp. 489, 510-511, 513-525.

^c Reports by Her Majesty's Agent and Consul-General on the Finances, Administration, and Condition of Egypt in 1895, p. 7.

These annual reports are known by the title of "Egypt," followed by the number and the year in which issued, being the year subsequent to that covered by the report; thus the report above mentioned would be cited "Egypt" No. 1 (1896).

^d Figures for 1902 were prepared by Sir Elwin Palmer, and are quoted by the Earl of Cromer in "Egypt" No. 1 (1895), p. 30. The figures for 1902 are based upon data given in the Statesman's Year-book 1904, p. 1236.

^e "Besides the debt here stated there is a certain amount unregistered, due notably by small proprietors."

/ A feddan is about 1.04 acres.

TABLE I.—*Distribution of agricultural land and indebtedness of the Fellaheen—Con.*

Classification of landowners.	Proportion of land mortgaged.		Amount of mortgage debts. ^c		Proportion in which each class of landowners shares in the total indebtedness.	
	1894.	1902.	1894.	1902.	1894.	1902.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>£E.</i>	<i>£E.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Owners of 5 feddans and under ^a	2.29	6.14	573,300	2,188,007	7.82	10.26
Owners of 5 to 10 feddans.....	2.90	7.72	392,200	1,209,230	3.35	5.66
Owners of 10 to 20 feddans.....	3.64	9.05	407,700	1,402,588	5.57	6.58
Owners of 20 to 30 feddans.....	6.0	11.9	307,200	1,024,025	4.20	4.8
Owners of 30 to 50 feddans.....	7.44	15.77	409,900	1,228,620	5.60	5.8
Owners of more than 50 feddans.....	14.00	34.35	5,233,000	14,287,321	71.46	66.9
Total.....	8.38	19.95	7,323,300	21,339,791	100.00	100.00

^aA feddan is about 1.04 acres.

The table, in so far as the figures can be depended upon as complete, seems to justify the following conclusions:

(1) A very large and increasing proportion of Egyptian landowners is composed of peasant proprietors. In 1894, 78 per cent of the landowners were proprietors of small estates of less than 5 feddans in area; in 1902, the percentage had increased to over 85, and in 1904 to over 86.

(2) The proportion of the total area represented by petty holdings of 5 feddans and under is small, but slowly increasing. In 1892, 19.8 per cent of the total area was owned by proprietors of 5 feddans and less; in 1902, the percentage was 22.7, and in 1904, it was 23.^a

(3) The proportions of the land mortgaged in the different classes of holdings varies directly with the size of the holdings. During both years referred to in the table the percentage of land mortgaged in the holdings of 50 feddans or over was approximately six times as large as the percentage in the holdings of 5 feddans and under.

(4) During the period 1894-1902, there was a large increase in the amount of land under mortgage, and the increase was greater among the peasant proprietors than among the proprietors of large estates.

It is among the peasant proprietors that the usurer carried on his business. Here he exacted his pound of flesh with the insatiable greed of a Shylock. He did not apparently succeed in doing business with a very large proportion of these peasant proprietors—at least not on the security of registered mortgages; but from those few with whom he did do business, the consensus of opinion in Egypt is that he exacted terms which were both unreasonable and oppressive.

LAND CREDIT IN EGYPT.

The large landowner in Egypt is fairly well provided with facilities in the line of agricultural credit and has been for some time. In 1901 two land banks were doing business in Egypt. Between 1901 and 1906 the number increased to six. The share and debenture capital and surpluses of mortgage banks in Egypt increased from £7,263,000 in 1901 to £29,749,000 in 1905, their liabilities increased during the same period from £6,530,000 to £23,403,000 and their assets from £7,744,000 to £32,655,000.^b The loans of the Crédit Foncier

^a "Egypt," No. 1 (1905), p. 30.

^b "Egypt," No. 1 (1906), p. 32.

Égyptien alone amounted to £E14,781,167 during the period 1880-1902, representing 6,422 loans; by 1905 the total number of loans made by this institution since 1880 was 8,969, amounting to £E23,963,583.^a All these institutions, however, with the exception of the Agricultural Bank of Egypt, have limited their operations to large advances to the more wealthy landowners. For example, of the 8,969 loans made by the Crédit Foncier Égyptien from 1880 to 1905, 3,594 were loans above £E1,000, and 474 were loans above £E10,000, while the average size of all the loans was £E2,672.^b

GOVERNMENT ADVANCES TO AGRICULTURISTS.

In the year 1894 the Egyptian government took the first step in the direction of providing agricultural credit facilities for the fellaheen by making advances of some 27,000 bushels of seed; in 1895 the amount was increased to nearly 44,000 bushels, and in 1896 it was increased to over 46,000 bushels. The seed advanced was, according to the Earl of Cromer, both better in quality and cheaper in price than that sold by the money lenders. The purchase money was made payable in three equal installments, extending over the last quarter of the year.

In 1895 the Egyptian government decided as an experimental measure to devote £10,000 to advances to the fellaheen. The maximum loan to any individual was fixed at £10; in no case, however, was the loan to exceed £2 per feddan of the land mortgaged.

It has been notified, said the Earl of Cromer at the time, that the government has no intention of embarking upon banking operations on a large scale. They merely wish to make an experiment in a few selected districts. It will depend on the results of this experiment whether at some future time an endeavor is made to come to some arrangement with a private bank with a view to more extended operations. *It is impossible to feel very sanguine of success. All that can for the present be said is that the experiment seems worthy of trial.*^c

Incredible as it may seem, the Egyptian government at first found difficulty in inducing the fellaheen to take advantage of the loans offered. It was not until the actual gold coin was taken in bags from village to village and offered to the fellaheen directly that their suspicions were quieted and they were induced to avail themselves of the assistance proffered by the government.^d

The experiment was successful. Loans were made in eleven different villages in Lower Egypt. No advances were made to cultivators possessing more than 20 acres, and the rate of interest charged was one-half of 1 per cent a month or 6 per cent per annum. Between February and July, 1896, persons owning in the aggregate 4,665 acres of land, borrowed £E7,700. Of these 1,113 were cultivators of less than 5 acres. With the exception of £E20 the whole of the capital and interest was paid by the end of November.^e

^a Crédit Foncier Égyptien: Rapports du Conseil d'Administration et des Censeurs. Exercice 1905.

^b Crédit Foncier Égyptien: Rapports, etc., p. 24.

^c "Egypt" No. 1 (1896), p. 9. The italics are mine.

^d See description of Maroor, p. 654, note.

^e "Egypt" No. 2 (1897), p. 5.

With reference to the experiment Mr. Chitty, the man who was in special charge of these operations, says:^a

The experience gained has convinced me of the great benefit that an agricultural bank would be to the smaller cultivators. The experiment made this year has not only been a great boon to the villages where the advances were made, but has had the effect of making the money lenders in the neighborhood reduce their rates of interest considerably, and has opened the eyes of the fellaheen to the possibility of money being procured at more moderate rates.^b

THE CRÉDIT FONCIER ÉGYPTIEN REDUCES THE MINIMUM SIZE OF ITS ADVANCES.

The next move in the direction of offering improved agricultural credit facilities to the fellaheen was made in 1897, when the Crédit Foncier Égyptien was induced to lower the minimum size of its advances to £E100. When it is recalled that the great bulk of the advances desired by the fellaheen are inside of £E30, it will be seen that this action was really of little consequence, although considerable importance was attributed to it by many at the time. From 1880 to 1905 the number of loans made by the Crédit Foncier Égyptien in amounts less than £E100 was only 138, and the number in amounts of from £E100 to £E200 was but 1,204.^c

THE NATIONAL BANK OF EGYPT.

In June, 1898, the National Bank of Egypt was established. "One of the main reasons which induced the government to assent to the creation of this bank was its desire to facilitate the extension of agricultural credit facilities among the fellaheen."^d

The National Bank of Egypt soon after its establishment began operations on a small scale among the fellaheen of the Belbeis district in Lower Egypt. "The debts of the Egyptian fellaheen are divisible into two distinct categories: (1) Those represented by small sums borrowed in the early part of the year and repayable in the fall after the sale of the cotton crop, and (2) loans of larger amounts running over a period of years. The bank's operations in the Belbeis district were to cover both classes of loans. Small advances in sums not over £20, bearing interest at 9 per cent, were made in the spring, payable after the harvesting of the cotton crop in the fall, and larger advances in sums up to £100, at the same rate of interest, repayable in five annual installments, were made to those wishing to pay off their old debts. Arrangements were made with the government, according to which the payments on the loans were collected

^a "Egypt" No. 7 (1897), p. 5.

^b It is interesting to note in this connection that similar government loans are at present being made in the Soudan, with like success. I quote the following from the Earl of Cromer's report on the Soudan for 1905 ("Egypt" No. 1 (1906), p. 134): "Pending the establishment of a private agricultural bank in the Soudan, the government advances small amounts of money to the cultivators at 7½ per cent interest. The loans are for the most part repayable in three years. Up to the end of 1905, advances to the extent of £E20,000 had been made, of which £E15,000 had been repaid. Governors of provinces are made responsible that these loans are actually expended on the purchase of cattle or agricultural implements, or on the construction of sakias. The money is not issued until they have satisfied themselves on this point."

^c Crédit Foncier Égyptien, Rapports, etc., p. 24.

^d "Egypt" No. 1 (1900), pp. 4, 5.

^e "Egypt" No. 1 (1900), p. 5, Phil. Agric. Bank Rep., p. 527.

by the tax collectors at the time of the collection of the land tax. By this arrangement the bank was saved the expense of hiring a large force of collectors. Of the 9 per cent interest collected $1\frac{1}{2}$ per cent was to go to the local agents of the bank and one-half of one per cent to the tax collectors.

During the spring and early summer of 1899, 1,580 advances, amounting in all to £E4,780, repayable in the fall, were made by the bank. The result, said Sir Elwin Palmer, the governor of the bank, was "thoroughly satisfactory; the whole of the money due in the year was collected by the government tax collectors."^a The bank made other loans in the Belbeis district to borrowers of the second class. These loans, 870 in number, aggregating £E26,720, and repayable in five annual installments, were made to persons already in debt, "who were thus enabled to effect a commutation of their debts on favorable terms."^b In 1899 the bank consented to extend its operations to three more districts. In 1900 the field of operations was extended to ten districts, and later to the whole of Lower Egypt.

Of the 9,500 advances made in 1900, aggregating £E137,781, 6,213, amounting to £E36,216, were small loans repayable within one year, and the remaining 3,287, amounting to £E101,565, were for larger amounts repayable in five annual installments. The amount that fell due in 1900 was £E28,122, due from no less than 5,035 borrowers. "It is with very special pleasure," said the Earl of Cromer, "that I am able to record that the whole of this sum was recovered."^c

By February, 1902, the bank's outstanding loans to the fellaheen numbered 15,269, of which 3,326 were for small sums repayable within the year and 11,943 for larger sums repayable in five annual installments. The amounts of these loans aggregated £E402,000. "These figures clearly show," said the Earl of Cromer, "that the main object of the scheme has been attained—assistance has been given to small proprietors."^d

THE AGRICULTURAL BANK OF EGYPT.

By the year 1902 the agricultural credit operations of the National Bank of Egypt had grown to such proportions as to absorb an undue amount of the bank's capital, and to have become unwieldy for an institution doing a general banking business. The class of operations, moreover, involved in making these agricultural loans "fell more properly within the functions of a land bank than within those of an ordinary bank."^e

Accordingly an agricultural bank, under the name of the Agricultural Bank of Egypt, was started on June 1, 1902, with an authorized capital of £2,500,000, of which £1,250,000 had already been paid up. All agricultural loans of the National Bank of Egypt were transferred to the new institution.

The preliminary act of association declared the object of the bank to be "to make advances to small farmers."^f

^a "Egypt" No. 1 (1900), p. 5, Phil. Agric. Bank Rep., p. 527.

^b Same.

^c "Egypt," No. 1 (1901), p. 7, Phil. Agric. Bank Rep., p. 530.

^d "Egypt," No. 1 (1902), p. 8, Phil. Agric. Bank Rep., p. 532.

^e "Egypt," No. 1 (1903), p. 16, Phil. Agric. Bank Rep., p. 532.

^f Phil. Agric. Bank Rep., p. 536.

Two classes of small loans were authorized,^a in accordance with the plan previously followed by the National Bank of Egypt. The first class, known as "A" loans, was to consist in loans varying in size from £1½ to £20 and not exceeding as a rule twice the annual land tax which the landowner should pay to the government. The loans were to be payable with interest in one sum the following crop season, but if made only two or three months before that season were not to be repayable until the following year. The maximum period for which these loans were to be granted was fixed at fifteen months. The second class of loans, known as "B" loans, varied in amount from £10 to £300,^b and were not to exceed as a rule ten times the tax which the landowner should pay to the government. These loans were made repayable in annuities covering principal and interest. They were to be secured by first mortgages on land worth at least double the amount of the advance, and to run for a period not exceeding twenty and one-half years. The maximum period was originally fixed at five years, but was subsequently extended to ten and one-half years and later to twenty and one-half years.^c

The rate of interest was fixed at 9 per cent per annum.^d Collections of both principal and interest were to be made as before, by the village sarrafs or tax collectors at the time of the collection of the land tax. It was provided that the sarrafs should receive one-half of one per cent on all sums collected. Article IV of the bank's revised statutes declares that the bank will pay the ministry of finance the expenses of the staff specially employed in the service of the loans. The duration of the bank was fixed at fifty years.

The National Bank of Egypt became one of the largest stockholders of the Agricultural Bank at the time of the latter's establishment, and the work of transacting the financial operations of the Agricultural Bank of Egypt was intrusted to it. The government's concession to the Agricultural Bank declared that: "It shall be administered by a board composed of the governor of the National Bank of Egypt, as president, and of five members, two of whom shall be chosen from among the members of the board of directors of the National Bank of Egypt, and controlled by the commissaries of the government of said bank."^e

The most important provision of the government's concession to the bank related to its guaranty of dividends on the stocks of the bank. That part of the government's concessions which deals with the guaranty is of sufficient importance to quote in full. It is as follows:^e

^a For full details concerning the bank's organization and plan of operations see the bank's revised statutes, submitted as Exhibit A of this report, p. 671.

^b The maximum size of "B" loans was later raised to £500.

^c The maximum period for the repayment of loans made by the Crédit Foncier Égyptien is fifty years. Similarly long periods are the rule among the land banks of Europe and Australia. See Phil. Agric. Bank Rep., pp. 571, 588, 633, 634, 635, 636.

^d In May, 1905, the Egyptian government sanctioned an increase in the share capital, on condition that from the beginning of the year succeeding that at the end of which the loans outstanding should have reached £E7,000,000 the maximum rate of interest charged to the fellaheen should be reduced to 8 per cent for both old and new loans. This figure was reached early in 1906. The rate of interest will accordingly be reduced to 8 per cent beginning with next year. See Report of the Directors for the year 1905. Exhibit B, p. 689.

^e See Exhibit A, p. 679.

The receipts shall comprise: (a) The interest actually received every year. (b) The amount of the loans due or installments due for the preceding years and actually received in the course of the year, subject to what is stipulated in the last paragraph of Article II.

From the receipts above mentioned there must be deducted: (a) All the expenses of the company. (b) The amount of all loans due or installments due on these loans and not received in the course of the year.

The difference will constitute the net profits.

Out of these net profits there shall be taken successively and in the following order: (I) The interest on the bonds. (II) Five per cent of the interest actually received every year for the reserve fund.

The sums carried to the reserve fund shall be invested in securities approved of by the government. The interest arising from these investments shall be added to the resources of the reserve fund.

From the remaining profits there shall first of all be taken the interest to be paid to the preferred shares, if any; and then 5 per cent of the said profits for the National Bank of Egypt, by way of agreed remuneration for transacting the financial operations of the Agricultural Bank of Egypt and the necessary sum to pay 5 per cent interest to the holders of ordinary shares upon the amount paid up thereon.

The balance shall be distributed as follows: Fifty per cent to the ordinary shares and 50 per cent to the deferred shares.

ART. II.

Whenever, for any year during the fifty years of the duration of the company, the interest received in the year and the sums received upon the loans due or installments due and not received for the preceding years do not reach the necessary sum—

(1) To cover all the expenses of the year and the amount of the loans or of the installments due and not actually received in the year;

(2) To leave a net profit representing 3 per cent of the capital invested in loans to the fellahs;

the additional sum for the above purposes shall be taken out of the reserve fund; and in the event of the said fund being insufficient, the government will pay to the company, by way of subvention, at latest on the 15th February in each year, the balance of the sum necessary for the above purposes.

In this latter case, the loans or installments due and not received in the year which are collected in the following years shall be paid over to the government, up to the amount of the subvention paid by it to the company.

Now that we have sketched the reasons leading to the establishment of the Agricultural Bank of Egypt and briefly explained its organization and plan of operations, it will be well to inquire into the question of results.

How has it worked? Has it been a benefit to the fellah and released him to any extent from the clutches of the usurer, or has it pauperized him and led him to plunge still more deeply into debt? Has it proven to be a profitable enterprise and yielded a fair return to the stockholders, or have bad debts been so numerous or the expenses of administration so great as to have made the enterprise a financial failure? Has it been a boon to the government by rendering the fellaheen more contented and prosperous, or has it brought reproach upon the government by its unreasonable exactions and by the extensive foreclosing of mortgages. Has it interfered with the efficient performance of the regular duties of tax collectors? Has it been a drain upon government revenues by reason of demands for the payment of the government's interest guarantee? These are questions that require honest answers before one can pass an intelligent opinion as to the success of this enterprise. We will consider them under the following general heads: (1) The bank and the fellaheen; (2) the bank and the stockholders; (3) the bank and the government.

At this point attention should be drawn to two facts, which ought

to be kept continually in mind in qualification of the discussion which follows concerning the bank's success. These facts are (1) The Agricultural Bank of Egypt, as a distinct institution, has only been in operation since June 1, 1902, a period of four years; and (2) these four years have been years of unprecedented prosperity for Egypt. In view of these considerations, the Earl of Cromer himself, who is responsible for the inception of the bank and who takes a just pride in the bank's success, said to the writer, as recently as March 23 of the present year, that he did not believe the bank was yet entirely out of the experimental stage.

(1) THE BANK AND THE FELLAHEEN.

The Agricultural Bank of Egypt was in its inception an institution established for the purpose of continuing the work previously carried on by the National Bank of Egypt in the line of rendering financial aid to the Egyptian fellaheen. It was established by government initiative, with the object of assisting the fellaheen to free themselves from the clutches of the usurer and to profitably cultivate their farms. By its results in this direction its success must primarily be judged.

NUMBER AND SIZE OF LOANS.

The extent to which the bank has reached the fellaheen will be seen from the following table, showing the number and size of the bank's outstanding loans on certain dates.^a

TABLE II.—*Loans of the Agricultural Bank of Egypt outstanding on certain dates.*

Date.	"A" loans.					
	Number of loans.				Amounts.	
	Of £E1 and under.	Of over £E1 to £E5.	Of over £E5 to £E20.	Total number.	Total amount.	Average amount.
Dec. 31, 1903 ^b	759	5,963	6,434	13,156	£ E. 104,684	£ E. 7.96
Dec. 31, 1904 ^c	1,060	6,776	9,662	17,498	149,032	8.52
Dec. 31, 1905 ^d				21,829	194,671	8.92

^a The total number of male Egyptians over ten years of age engaged in agriculture on June 1, 1897, the date of the last census returns, was 2,049,258.—*Statesmen's Year Book*, 1904, p. 1229.

^b "Egypt" No. 1 (1903), p. 16.

Detailed figures are not available for this date. The first report of the directors covers the period June 1, 1902, the date of the bank's establishment, to December 31, 1903. Concerning the bank's operations for the year 1902, the Earl of Cromer says (same p. 16): "During 1902, 34,532 loans, repayable in fifteen months, and amounting in the aggregate to £E202,942, were made. Of these, 19,785 were for sums less than £E5; 7,807 were for sums between £E5 and £E10; 6,940 were for sums between £E10 and £E20.

"The number of loans repayable in five annual installments was 20,341, representing in the aggregate a sum of £E748,878. Of these, 8,513 were for sums below £E20. Most of the others were for sums less than £E100. The maximum amount of any one loan was £E300."

^c *Report of the Directors*, submitted February 23, 1904. See Exhibit B, Schedule I.

^d *Report of the Directors*, submitted February 20, 1905. See Exhibit B, Schedule II.

TABLE II.—*Loans of the Agricultural Bank of Egypt outstanding on certain dates—Con.*

Date.	"B" loans.							All loans.		
	Number of loans.					Amounts.		Num-ber.	Amounts.	
	Of over £E20 to £E50.	Of over £E50 to £E100.	Of over £E100 to £E150.	Of over £E150 to £E500.	Total num- ber.	Total amount.	Average amount.		Total amount.	Average amount.
						£ E.	£ E.		£ E.	£ E.
Dec. 31, 1902 ^a .								46,572	1,208,200	25.94
Dec. 31, 1903 ^b .	53,481	7,928	2,359	1,987	65,755	2,091,157	31.80	78,911	2,195,841	27.82
Dec. 31, 1904 ^c .	96,234	13,207	3,934	3,334	116,709	3,787,209	32.45	134,207	3,936,242	29.33
Dec. 31, 1905 ^d .					163,701	5,571,001	34.03	185,530	5,765,672	31.08
Mar. 31, 1906 ^e .									7,033,486	

^a "Egypt" No. 1 (1903), p. 16.

Detailed figures are not available for this date. The first report of the directors covers the period June 1, 1902, the date of the bank's establishment, to December 31, 1903. Concerning the bank's operations for the year 1902, the Earl of Cromer says (same p. 16): "During 1902, 34,532 loans, repayable in fifteen months, and amounting in the aggregate to £E202,942 were made. Of these 19,785 were for sums less than £E5; 7,807 were for sums between £E5 and £E10; 6,940 were for sums between £E10 and £E20.

"The number of loans payable in five annual installments was 20,341, representing in the aggregate a sum of £E748,878. Of these, 8,513 were for sums below £E20. Most of the others were for sums less than £E100. The maximum amount of any one loan was £E300."

^b Report of the Directors, submitted February 23, 1904. See Exhibit B, Schedule I.

^c Report of the Directors, submitted February 20, 1905. See Exhibit B, Schedule II.

^d Report of the Directors, submitted February 28, 1906. See Exhibit B, Schedule III.

The Report for 1905 does not give the figures showing the numbers of loans of different sizes outstanding December 31, as was the custom in previous reports, but gives instead the figures for the loans put out during the year. They were as follows:

"A" loans.

Loans under £E1	1.861
Loans above £E1 to £E5	19.217
Loans above £E5 to £E20	26.863
Total "A" loans	47.941

"B" loans.

Loans from £E10 to £E50	45.36
Loans above £E50 to £E100	7.45
Loans above £E100 to £E150	2.586
Loans above £E150 to £E500	3.081
Total "B" loans	58.342
Total loans during 1905	106.283

The average size of the "A" loans made during the year was £E8.40, and the average size of the "B" loans was £E42.10.

^e Figures for total loans outstanding March 31, 1906, furnished by bank's manager.

The table seems to justify the following conclusions:

(1) The Agricultural Bank has had a phenomenal growth since its organization as an independent institution, and, considering its short history, is reaching a surprisingly large number of the Egyptian fellaheen. Its outstanding loans have increased during the period December 31, 1902, to March 31, 1906, from £E1,208,200 to £E7,033,486, an increase of 482 per cent in three years and a quarter; and the number of its loans increased during the period December 31, 1902, to December 31, 1905, from 46,572 to 185,530, an increase of 298 per cent in three years.^a

^a The bank's rapid growth in its early days is accountable in no small degree to an institution known as the "Maroor." The Maroor is described as follows by one of the bank's officials: "When the bank was first instituted it was necessary to familiarize the fellaheen with its object and scope. Owing to the fact that the vast majority of the class from which the bank's clients are drawn can neither read nor write, ordinary methods of advertisement were of no use. It was therefore necessary to use others, and the best was found to be what has come to be called for short Maroor. That is, the agent taking a clerk with him visits personally each village in his district. He calls at the Omdeh's house (the Omdeh is the headman of the village, see p. 665) and asks him to call a meeting of the landed proprietors of the village, and when they have gathered together the agent, through his clerk, expounds the bank and its works."

(2) The great bulk of the bank's business, whether judged by the number of borrowers or by the amount borrowed, consists of "B" loans—that is, loans varying in size from £E10 to £E500 and running for periods not exceeding twenty and a half years.

(3) The number of "B" loans is increasing at a much more rapid rate than the number of "A" loans, the increase in the "A" loans during the three years ending December 31, 1905, being 66 per cent and the increase in "B" loans being 149 per cent.

(4) The average size of the loans of both classes is steadily increasing, the average size of the "A" loans having increased during the three years from £E7.96 to £E8.92 and the average size of the "B" loans from £E31.80 to £E34.03.

REASONS FOR BORROWING.

The figures just cited show that large numbers of the Egyptian fellaheen have been taking advantage of the opportunities for land credit offered by the bank. It is important to know something of the objects for which loans have been obtained. Have the funds borrowed been used wisely for the paying off of onerous debts, for improving the farms, purchasing farm materials and implements, cultivating the soil, harvesting the crops, etc., or have they been employed unwisely for personal luxuries? Unfortunately no statistics are available showing the purposes for which funds have been borrowed and the uses to which they have been put. Replies received to inquiries made on this subject in Egypt of officials of the bank and other persons familiar with its workings would seem to justify the following conclusions:

(1) Money is generally borrowed for a combination of purposes, the sums obtained frequently being used in part for the purchase of seed, or for the cultivation of the soil, the harvesting and marketing of the crops, or other running expenses in connection with the working of the farm; in part for the paying of old debts, in part for the purchasing of more land, and in part to pay ordinary household expenditures during the period of the cultivation and harvesting of the crops and before the proceeds thereon are realized. The proceeds of comparatively few loans appear to be expended solely on one object.

(2) The two most important single objects for which money borrowed from the bank is expended appear to be (a) the purchase of land and (b) the paying off of old debts bearing excessive rates of interest.

(a) One very important reason which leads the fellah to borrow money for the purchase of land is found in his desire to provide for the welfare of his children. According to the system of inheritance prevailing in Egypt the estate of the parent is divided among all the children, the boys receiving equal shares and the girls each receiving one-half of a boy's share. This system naturally results in the breaking up of the land into a great many small holdings. Agriculture is the only form of economic activity with which the average fellah is familiar. His homestead has for him a very high sentimental value. His religion prohibits him from putting money out at interest. "Land is the Egyptian's stocking." As a result of these conditions, if the fellah is to give his children as good a start in life as he himself had, his only course is frequently the purchase of more land. The recent prosperity of Egypt and the opening of large new tracts of land by

reason of improvements in the system of irrigation have given further impetus to land purchases, and, in consequence, the desire to purchase land has been a very important motive among the fellaheen for the borrowing of money from the Agricultural Bank.

(b) In the early days of the agricultural loan operations of the government and of the National Bank of Egypt the great bulk of the advances made were for the purpose of enabling the fellaheen to pay off debts bearing usurious rates of interest. This motive is probably still the principal one for which the fellaheen seek loans, although it is naturally one of decreasing importance; for debts bearing exorbitant rates of interest are rapidly being paid off and the usurer is being forced into the background. There is no question but that usury has greatly declined in Egypt since the establishment of the Agricultural Bank. Mr. Rowlatt, governor of the National Bank of Egypt, and Mr. Scott-Dalglish, manager of the Agricultural Bank of Egypt, agree in the opinion that the operations of the Agricultural Bank have resulted in reducing the rate of interest on small loans in cities by something like 3 per cent, and on agricultural loans to the fellaheen by at least 5 to 6 per cent.^a

ARE THE FELLAHEEN GETTING OUT OF DEBT?

Do the facts that the rate of interest is being lowered and that the fellaheen are now able to obtain money on reasonable terms mean that they are getting out of debt? Very early in the development of the present system of making advances to the fellaheen the Earl of Cromer took the position that the success or failure of the project would depend largely upon the question of "whether the majority of the cultivating classes, having once been relieved from any very onerous debts which they may have contracted, will or will not use the comparative financial freedom thus acquired to plunge again into operations from which it will be extremely difficult, if not altogether impossible, to extricate them."^b In the absence of information concerning the extent and terms of the nonregistered indebtedness of the fellaheen this question can not be answered with any degree of certainty. Moreover, opinions in Egypt concerning the subject are somewhat contradictory. In 1900 the Earl of Cromer said, referring to this question:

It would be premature at present to express any confident opinion on this point. Such little evidence as is forthcoming, however, rather points to the conclusion that it is erroneous to suppose that the Egyptian fellah will almost invariably incur debt up to the maximum amount of his credit. I do not doubt that a certain number of cultivators, after having commuted debts on which they are perhaps paying interest at the rate of 40 per cent or even more into one on which they will pay 10 per cent,

^a The late Sir Elwin Palmer said in 1901, concerning the agricultural credit operations of the National Bank of Egypt, of which he was at that time governor: "The fact that the bank is prepared to advance small sums at a fair rate of interest has, in the districts where the bank is working, caused a fall in the rate usually charged by money lenders, and the fellaheen have indirectly benefited in this way too. In one district the largest money lender left when the bank began operations; in another the bank was regularly boycotted, and it was impossible to find an agent among the people of the district of any standing, they being nearly all money lenders themselves. An outsider had, therefore, to be appointed; he had great difficulties at first, but the people of the district now begin to realize the advantages, and are dealing with the bank."—"Egypt," No. 1 (1901), p. 8, Phil. Agric. Bank Rep., p. 530.

^b "Egypt," No. 1 (1900), pp. 5, 6, Phil. Agric. Bank Rep., p. 528.

will use the margin of income thus rendered available in order to contract further debt; but I contend that the present scheme may be considered a success if the number of individuals who adopt this ruinous procedure constitute the exceptions rather than the rule.^a

In 1901 the late Sir Elwin Palmer, at that time governor of the National Bank of Egypt, wrote:

There is nothing to indicate that the fellaheen, once relieved of their onerous debt to the money lenders, are inclined to plunge again into debt beyond the debt to the bank; indeed, the facility with which the recovery of the loans or installments has been effected would seem to show that this is not the case.^b

Writing on this subject in 1902 the Earl of Cromer said:

Up to the present time the number of those who have used their improved credit in order to incur fresh debt has, to the best of my belief, been very small.^c

In 1903 he declared:

Time must be allowed before any confident statement can be made on this subject. So far the reports which I have received on this branch of the question are satisfactory. As I have frequently stated before, the fellaheen are generally much less improvident than used to be imagined.^d

The Earl of Cromer expressed a similar opinion with reference to this subject in conversation with the writer in March of the present year, qualifying it, however, with a statement to the effect that he did not believe that the bank could yet be considered entirely out of the experimental stage in this respect.

Testimony of a different character, however, as previously stated, is not wanting. The manager of a large banking institution in Cairo, who has been watching with interest the progress of the work of the Agricultural Bank of Egypt, informed me that there was considerable evidence that the fellaheen were using the credit obtained from the Agricultural Bank as a means of further extending their loans with the usurer, frequently borrowing from the bank in order to meet payments due to the usurer. To what extent such practices existed he was unable to say. One of the district agents, who has been in the employ of the bank for about three years, and whose duties have brought him into close touch with the fellaheen, expressed an opinion to the following effect: There is no question but that the fellah supplements his loans from the bank largely by loans from the usurer.

The fact, however, that the bank holds a first mortgage on his property prevents him from going very deeply into debt to the usurer. The fellah often pays for some time his regular installments to the bank, and then, long before the time arrives for the final liquidation of his debt to the bank, increases the amount of his loan to the maximum, and with the proceeds reduces or pays off his debt to the usurer. It is an unfortunate feature of a bank of this type that it does not encourage people to get out of debt, as do the cooperative banks of Europe. Loans made by the bank to the fellaheen have a tendency to become permanent working credits for the financing of small farms. If only the merits of the cooperative system could be combined with those of the Agricultural Bank of Egypt much would be accomplished. The opinion of the district agent just referred to

^a "Egypt," No. 1 (1900), pp. 5, 6; Phil. Agric. Bank Rep., p. 528.

^b "Egypt," No. 1 (1901), p. 8; Phil. Agric. Bank Rep., p. 531.

^c "Egypt," No. 1 (1902), p. 8; Phil. Agric. Bank Rep., p. 532.

^d "Egypt," No. 1 (1903), p. 17; Phil. Agric. Bank Rep., p. 533.

seems to be supported by the figures given in the table on page 646, which give evidence of a decided increase of mortgage indebtedness among the fellaheen between the years 1894 and 1902.

In view of the apparently conflicting testimony on this subject from persons in Egypt thoroughly conversant with the bank's affairs, an outsider would be presumptive to express a very positive opinion. If I may venture to make a guess on the subject, however—and it is only a guess—I would say that the fellaheen are probably not getting out of debt by reason of the facilities offered by the Agricultural Bank; that, in fact, their total indebtedness is probably increasing, and that a large proportion of those who do borrow are borrowing from the bank and from other sources practically up to the limit of their credit; that, on the other hand, the bank has to a large extent taken the place of the usurer as a source for borrowing, that the fellah is more independent of the usurer than he formerly was, and that the terms he obtains from him, considering the security offered, are much more favorable than they were a few years ago. It may not, moreover, be an entirely unmixed evil, if the fellaheen do use the Agricultural Bank as a means of providing permanent working credits for the financing of their farm operations, provided only that the funds borrowed are wisely used. It should be remembered that the great bulk of the world's industrial and commercial enterprises are financed by money borrowed on the security of pledges of plant, raw material, or finished product.

Thanks to the excellent work of the British Government in Egypt the fellah is now assured of the peaceful possession of his property. There is a real incentive for the exercise of his natural thrift, and it is probable that; although he may borrow excessively, the money he borrows will be expended more wisely than heretofore.

(II) THE BANK AND THE STOCKHOLDERS.

THE BANK ESTABLISHED ON A STRICTLY COMMERCIAL BASIS.

Although the activities of the Egyptian Government, which led to the establishment of the Agricultural Bank of Egypt, were actuated entirely by the desire to improve the condition of the fellaheen, it was never intended that the bank should be a philanthropical enterprise. The Earl of Cromer, in his annual report^a covering the year 1899, said with reference to the agricultural credit operations of the National Bank of Egypt:

It was felt * * * that no permanent success could be obtained unless the philanthropic considerations which cluster round the treatment of this subject were so far discarded as to place the matter on a sound commercial basis, and thus insure to the bank an adequate remuneration for their capital outlay.

In his annual report^b covering the year 1902 the Earl of Cromer referred to two^c important reasons why the Egyptian system had "attained a certain measure of success," the first of which was:

That, although the action of the Government has been so far philanthropic that they have wished to benefit a large and important class of the community, the undertaking has in no degree been established on a philanthropic basis. On the contrary, the

^a "Egypt" No. 1, (1900), p. 5; Phil. Agric. Bank Rep., p. 527.

^b "Egypt" No. 1, (1903), p. 16; Phil. Agric. Bank Rep., p. 533.

^c The second reason was that the supervision of the bank's British agents had been "capable, vigilant, and honest." See p. 86.

basis has been strictly commercial. There was in the first instance some very natural difficulty in convincing capitalists that the business would be fairly lucrative; but when by applying the test of actual experiment this difficulty was overcome, the main obstacle to success was removed.

THE BANK'S FINANCIAL CONDITION.

A detailed account of the bank's financial condition at the end of each year since its establishment will be found in the three annual reports of the directors, submitted as an appendix of this report.

The following tabulation of the bank's "net profits"^a will give in a brief way some idea of the bank's success as a financial enterprise.

Distribution of the net profits of the Agricultural Bank of Egypt.

Period.	Net profits.	Interest on bonds.	Carried to reserve fund.	Dividends on preferred shares.		Remuneration to the National Bank of Egypt.
				Rate.	Amount.	
	£ s. d.	£ s. d.	£ s. d.	Per ct.	£ s. d.	£ s. d.
June 1, 1902 to Dec. 31, 1903.	79,915 18 8	.....	7,729 3 0	4	2,435 7 9	3,609 6 8
Jan. 1, 1904 to Dec. 31, 1904.	157,859 9 11	27,795 10 7	12,916 8 10	4	24,596 3 7	5,866 15 10
Jan. 1, 1905 to Dec. 31, 1905.	302,285 14 5	96,202 11 0	25,790 4 6	4	46,128 10 11	9,023 5 10

Period.	Dividends on ordinary shares.		Dividends on deferred or founders' shares.		Amount carried forward.
	Rate.	Amount.	Rate.	Amount.	
	Per ct.	£ s. d.	Per ct.	£ s. d.	£ s. d.
June 1, 1902, to Dec. 31, 1903.	4	65,953 15 0	.....	.....	188 6 3
Jan. 1, 1904, to Dec. 31, 1904.	6	74,400 0 0	6.3	12,300 0 0	172 17 3
Jan. 1, 1905, to Dec. 31, 1905.	7½	93,000 0 0	15.15	31,500 0 0	813 19 5

Figures taken from the first, second, and third reports of the directors on the working of the bank. See Exhibit B, Schedules I, II, and III.

When it is recalled that the bank's statutes require that all loans and installments due and unpaid at the end of each year shall be deducted from the gross receipts for the year, in computing the net earnings, so that the bank's reserve is not offset by a lot of bad debts, it will be seen that from the stockholders' point of view the bank has so far proven a remarkable success.

THE BANK'S FINANCIAL STANDING.

The financial standing of a concern of this type consists in its reputation for stability in the business world and for present and prospective earning capacity. Its financial standing is reflected in the market prices of its securities.

Inquiries made in Egypt of men prominent in financial affairs concerning the bank's local standing invariably elicited the reply that its credit was excellent, and that no one questioned for a moment its stability or its success. The present management enjoys an enviable reputation for ability and for conservatism.

The market prices of the bank's stocks and debentures for each quarter since they have been quoted in the London market are given in the following table. It will be recalled that the par value of the common stock and that of the 3½ per cent cumulative preferred is £5, and that of the 4 per cent debentures is £100.

^a For definition of term "net profits" as contemplated by bank's statutes, and for the statutory regulations for their distribution, see Exhibit A, pp. 677, 678.

Market prices of stocks and debentures of the Agricultural Bank of Egypt. ^a

Date.	Common stock.		4 per cent cumulative preferred stock.		3½ per cent bonds.	
	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.
Quarter ending:						
Dec. 31 1903.....	£7½	£7				
Mar. 31, 1904.....	7½	7				
June 30, 1904.....	8½	7½				
Sept. 30, 1904.....	10½	8½				
Dec. 31, 1904.....	11½	8½	£10½	£9½	£94	£93
Mar. 31, 1905.....	12½	9½	10½	9½	96½	93½
June 30, 1905.....	14	12½	10½	10	96½	93½
Sept. 30, 1905.....	14½	9½	10½	9½	95½	94½
Dec. 31, 1905.....	10	8½	10½	8½	95	92½
Mar. 31, 1906.....	10½	9½	10½	8½	95	93
May 31, 1906 ^b	10½	9½	10½	10	95	93

^a Figures taken from The Investor's Monthly Manual.
^b Two months ending May 31, 1906.

At the end of March, 1906, the deferred shares, whose par value is £5, were valued at about £950. The table tells its own story and does not appear to call for comment.

BAD DEBTS.

One of the first and most serious objections always brought to any scheme for the extension of land credit among small farmers is that of the risk of loss through the failure of borrowers to repay their loans. The Crédit Foncier Égyptien had experienced considerable difficulty in collecting its annuities prior to the time of the establishment of the Agricultural Bank of Egypt, and it was argued by many that this difficulty would be fatal to the success of any scheme for the extension of land credit among the fellaheen. It would be natural to expect to meet greater difficulties in making collections from petty farmers than from the owners of large estates. Inasmuch as this danger appeared to be a real one, the bank's regulations with reference to the investigation of titles, the preparation of mortgages, the making of advances, and the collection of annuities were most carefully made. Safeguards were thrown about every step in the negotiation of a loan in order to prevent loss by mistake or, perhaps more importantly, by fraud; for the fellaheen, who are for the most part Mohammedans, have not a very high sense of honesty in dealing with "nonbelieving" Christians, and are liable to think the defrauding of a Christian is cute, rather than immoral.

Thanks to the bank's efficient management and to the rigid terms of the loan contract, lapses in the payment of obligations have been surprisingly few. In the sketch previously given of the agricultural credit experiments of the Egyptian Government and of the National Bank of Egypt, experiments which finally led to the establishment of the Agricultural Bank of Egypt in June, 1902, figures were cited showing the bad debts met with during the years covered by those experiments.^a They showed that bad debts during those years were found to be almost negligible quantities. The following extracts from the reports of the Earl of Cromer, and from the reports of the

^a Pages 616, 647.

directors of the Agricultural Bank, will show that that bank has had a similar experience since its establishment:

1902.—During 1902, £E305,500 had to be recovered from 35,884 borrowers. Of this amount all but £E2,360 was actually paid. There is every reason to believe that the balance due at the end of the year will shortly be recovered.^a

1904.—The arrears in capital and interest for the year 1904 amounted to £E27,718, or about 3 per cent, of the amount that was due for collection. By the end of January about a third of these arrears had already been recovered.^b

1905.—Toward the close of last year the collections on account of interest and sinking fund were made with some difficulty in the province of Behera and in the northern portions of Gharbieh and Dakahlieh. The difficulty arose owing to the lateness of the cotton crop.^c At the end of 1905 the overdue loans for the year amounted to £E68,400, and the overdue interest to £E28,660.^d Of this total of £E97,060 overdue obligations on December 31, 1905, £E70,000 had been collected prior to March 31.

On March 29, 1906, Mr. Scott-Dalgleish, the bank's manager, stated, in conversation with the writer, that not a single loan had been made since the bank's organization that the management believes to be irrecoverable.^e

This opinion, if justified—and I see no reason for doubting it—certainly represents a most remarkable record for a bank whose loans have altogether amounted to upward of \$50,000,000, covering advances to hundreds of thousands of agriculturists, the average amount of which has probably been less than \$150.^f

Delinquencies in the meeting of the obligations due the bank are treated as follows: After the tax collector has reported certain borrowers delinquent in meeting their payment, a clerk is sent out from the local office of the bank to attempt to make the collections. The tax collectors are allowed to receive payments during the month following that in which they are due; after that all collections must be made by the agencies.

When the lists are closed the names of the delinquents in each section are sent to the bank's legal department, and a "lettre de menace" is then sent to each delinquent notifying him that unless payment is made within a certain number of days (usually seven or eight) the bank will be compelled to take the necessary legal measures for the collection of the account. These letters usually lead to the settlement of from 60 to 70 per cent of the accounts still delinquent. The balances still unpaid are then turned over to a special department of the bank having such matters in charge, and one of the bank's English traveling agents calls on each person still delinquent and investigates the case. If he finds that the borrower's failure to pay is caused by sickness, poor crops, or other cause not the fault of the fellah he recommends that the payment be deferred, or that the interest be required to be paid and the installment of the principal be deferred, and so on, according to the merits of the case. If, on the

^a "Egypt," No. 1 (1903), p. 16; Phil. Agric. Bank Rep., p. 683. I have been unable to obtain the figures for the year 1903. The figures for overdue interest for that year, as given in the 1903 balance sheet, show the amount to have been small.

^b "Egypt," No. 1 (1905), p. 29.

^c "Egypt," No. 1 (1906), p. 35.

^d Report of the directors for the year 1905, Exhibit B, p. 680.

^e Mr. Scott-Dalgleish says that the bank has in its books one small loan which it will probably not collect from the borrower himself, but whose payment has been guaranteed by a certain local government official who is responsible for the bank's having been misinformed concerning the character of the security offered by the borrower.

^f See tables, pp. 653, 681.

other hand, he finds that the borrower's failure to pay is due to negligence, or to simple unwillingness to meet his obligation, he recommends that the mortgage be foreclosed. The bank generally follows the advice of its agent in such matters. The manager informs me that from the time of the bank's establishment in June, 1902, there have been 350 cases in which foreclosure proceedings have been started, but that in all these cases except four the proceedings were abandoned before being completed on account of settlements having been made.

COMPETITION.

In speaking of the bank as a financial enterprise the fact should be noted that the bank is beginning to experience considerable competition from other land credit institutions. The recent remarkable growth of such institutions in Egypt has already been referred to.^a The operations of the Agricultural Bank of Egypt have freed considerable private capital formerly tied up in mortgage loans. These facts, together with the increased land values,^b greater security of property, and the growing confidence in the safety of carefully placed mortgage loans have resulted in material reductions in the rates of interest borne by mortgage loans. While the Agricultural Bank of Egypt has a practical monopoly on small agricultural loans, and while other institutions can not be expected to compete with it for such loans, on account of the large and expensive force of employees that would be required,^c it is meeting considerable competition for larger sized loans—loans, say, from £200 to £500. Under present conditions in Egypt an interest rate of 9 per cent is high for well-secured loans above £200, and it is a matter of common report in Cairo that other institutions are underbidding the Agricultural Bank for its larger sized loans and in some cases taking away its customers. It remains to be seen what effect the bank's anticipated reduction in the rate of interest to 8 per cent next year^d will have upon this competition.

III. THE BANK AND THE GOVERNMENT.

The subject of the bank's relations to the government requires but few words, and these relate principally to the government's 4 per cent interest guaranty.^e

THE GOVERNMENT'S GUARANTY.

An institution with a record of such progress during the first three years and a half of its history, it should be evident, is not liable to call upon the government to make good an interest guaranty of 3 per cent. The Earl of Cromer said in his report for 1903: "It is in the highest degree improbable that any occasion will arise for calling on the government to make good a deficit." This opinion he reaffirmed

^a Pages 647, 648, 654.

^b See on this subject London Times Financial and Commercial Supplement for January 1, 1906, and Economist, February 17, 1906, p. 267.

^c The work of collecting annuities in the case of the Agricultural Bank of Egypt, it will be recalled, is performed by government tax collectors. See pp. 649, 650, 651, 665.

^d See pp. 651, 671 note.

^e See pp. 651, 671, 677.

^f Phil. Agric. Bank Rep., pp. 659, 660.

in a personal conversation with the writer in March, 1906. It is concurred in by the officials of the bank and, as far as I could learn, by the financial public. During a two weeks' investigation in Cairo, during which I interviewed many of the more prominent government officials and business men of that city, I failed to find a single person who believed that the Egyptian government would ever be called upon to make good its guaranty.

It must not be inferred from what has been said that the government's interest guaranty has not been of great value to the bank. Without it, in fact, it is improbable that the bank would have been established for many years to come, if at all. The guaranty, moreover, has been an important factor in the establishment of the bank's credit, and has enabled it to borrow funds at lower rates than would otherwise have been possible. Mr. F. T. Rowlatt, governor of the National Bank of Egypt, and Mr. G. Scott-Dalgleish, manager of the Agricultural Bank of Egypt, while concurring in the Earl of Cromer's opinion that there is little likelihood of the government ever being called upon to make good its guaranty, both declare that the guaranty decidedly improves the bank's credit and enables it to borrow on better terms than would otherwise be possible. They believe that the guaranty makes a difference of at least 6 per cent in the prices realizable upon debentures floated in the London and Paris markets.

MISCELLANEOUS.

The relations existing between the officials of the bank and those of the Egyptian government have, as far as I have been able to learn, always been the most cordial. A helpful spirit of cooperation seems to exist between both classes of officials.

There is no evidence that the work of collecting the bank's annuities interferes with the regular official duties of the government tax collectors.

The bank's services to the fellaheen in assisting them in the development of Egypt's wonderful agricultural resources of course indirectly redound to the benefit of the government by reason of the greater prosperity and contentment of the people and of the consequent increase of the government revenues.

FACTORS IN THE BANK'S SUCCESS.

The history of the Agricultural Bank of Egypt, therefore, up to the present time is a record of success, whether judged from the standpoint of the fellaheen, the stockholders, or the government. Aside from the rather unique character of the Egyptian system, which seems peculiarly well adapted to Egyptian conditions, and to which the bank's success must be largely attributed, there are certain special factors which account for this success in no small degree.

HIGH PERSONNEL.

(1) One factor of paramount importance is that of the bank's high personnel. The administrative work of a bank like the Agricultural Bank of Egypt, involving as it does the loaning of large funds in small sums to a people of a race and religion different from those of the bank's officials, and possessing little intelligence and little business

sense, is a work which demands officials of a high order of integrity, judgment, and tact. Such work is not amenable to hard and fast rules; at every turn the exercise of discretion is demanded.

The Earl of Cromer mentions as one of the two most important reasons for the success of the bank the fact that "the supervision, which has been conducted by very carefully selected British agents, has been capable, vigilant, and honest." ^a

There are now 22 English traveling agents continually in the field, the regular quota being 24. Each agent has under his supervision several of the bank's 72 branches,^b and is held by the head office strictly responsible for the administration of all the branches in his supervising district.^c

A concern desiring to build up and maintain a high personnel must expect to pay good salaries, to recognize merit by promotion, and in other matters to be liberal to its employees. In this respect the Agricultural Bank of Egypt has not been lacking. The salary list of the English agents of the bank in the provinces is as follows: First class at £E800 per annum, second class at £E700 per annum, third class at £E600 per annum, fourth class at £E500 per annum, fifth class at £E300 to £E400 per annum. "When traveling beyond the limits of his district, first-class railway or steamer fare is allowed to the agent and third-class fare for one servant. Forty P. T. is allowed for every night spent on duty beyond the limits of his district." ^d

The bank has made liberal provisions for a staff provident fund, and its leave of absence allowances are ample. Agents are allowed to take three months' leave every other summer.

THE UTILIZATION OF THE SERVICES OF GOVERNMENT EMPLOYEES.

A second factor of importance in explaining the bank's success, and one which is closely related to the one just mentioned, consists in the extent to which the bank has been enabled to utilize the services of government employees in its administration. This utilization of the services of government employees for the work of a private institution is one of the distinctive features of the Agricultural Bank of Egypt. The land tax is the principal source of Egypt's revenue. It is a very old tax, one with which the public is thoroughly familiar, and one requiring a large force of employees for its collection.

The land tax is collected in several installments during the year, an effort being made to fix the times of collection in the different districts so as to correspond as nearly as possible with the period in which the

^a "Egypt" No. 1 (1903), p. 16, *supra*, p. 658.

^b The bank has (March 31, 1906) 72 branches or agencies scattered throughout Egypt. These local agencies are in charge of natives, there being from two to four employees in each agency. The total force in the field, exclusive of English agents, is about 220. The force in the main office varies from 200 to 350, according to the season. The salary list averages about £2,000 a month. Office expenses average about £1,000 a month.

^c The bank's rules and regulations contain a clause warning agents "that they alone are responsible to the head office for all money transmitted to the agencies or collected there as well as for all sums paid out from thence."

^d Agents are required to travel first class and are expected to take a clerk with them. "because," as stated by the bank's rules and regulations, "in the opinion of the natives of Egypt it is undignified to go alone, and any lack of dignity on the part of the agent reflects discredit upon the bank and lowers its prestige, and prestige is a most valuable asset when it comes to collections."

returns on the principal crops are received.^a Each landowner is furnished annually by the government with a tax paper known as the "wird." This paper shows the assessed value of his land, the amount of his tax, and the times when the various installments will become due.

When the landowner is a borrower from the bank, his agricultural bank annuity is also placed by the government on the wird, and collected by the village tax collector, known as the "sarraf," at the time of the collection of that installment of the land tax which is due after the harvesting of the principal crop. For this service the tax collector receives a commission of one-half of 1 per cent of the amounts collected. The annuities thus collected are passed through the regular governmental channels until they reach the treasurer of the province, by whom they are deposited to the credit of the government in the National Bank of Egypt. The National Bank thereupon transfers by check to the Agricultural Bank the amount due that institution. The annuities are thus collected by government tax collectors, and handled as government funds and entirely under government responsibility until this transfer by the check of the National Bank of Egypt.

The village tax collector, though perhaps the most frequently mentioned government employee in the service of the Agricultural Bank, is far from being the most important one. That honor belongs to the village headman, or omdeh. The omdehs belong to the middle class of landowners, and their position is in many respects analagous to that of the unpaid justices of the peace in England. The omdeh is the headman or spokesman of the village, and is held responsible by the government for the order in his village. He is elected by the provincial assembly, and has limited judicial powers. He is "the link between the government and the governed," and the man upon whom, according to the Earl of Cromer, "the whole life of the village turns." The position of omdeh, although one of great dignity and influence, has no salary attached to it.^b The sole emolument of a financial character is an exemption from land tax on 5 acres of land.^c

The Agricultural Bank of Egypt, as previously stated, depends upon this officer for much of its most important work. He is the real link between the bank and the people. It is he more than any other person who creates the public sentiment in his village concerning the bank, and it is upon him that the bank must depend largely for its information concerning the character and local standing of the various applicants for loans in his village. He gives out the application forms to persons wishing to apply for loans, he testifies concerning the ownership and cultivation of the land which the applicant wishes to mortgage, he verifies the applicant's seal, and vouches for the good

^a The following table showing the amounts of the land tax paid during different months for all Egypt during the year 1902 is suggestive. Figures are in round numbers.

January.....	£E279, 000	July.....	£E369, 000
February.....	281, 000	August.....	246, 000
March.....	119, 000	September.....	64, 000
April.....	219, 000	October.....	1, 184, 000
May.....	270, 000	November.....	772, 000
June.....	484, 000	December.....	332, 000

October and November are the months during which the cotton crop is principally harvested and sold.

^b See Milner, *England in Egypt* (11th ed.), p. 390, and "Egypt," No. 1 (1906), p. 60.

^c The children of omdehs are not liable to military service.

faith of the applicant, and he is responsible for the truth of his testimony. His sole remuneration for these services is the privilege of borrowing money from the bank at a slightly reduced rate of interest—7 per cent instead of 9—a privilege he frequently does not care to take advantage of.^a

LAND TITLES.

A third important factor in the success of the Agricultural Bank of Egypt is to be found in the character and records of the Egyptian land titles and the government's valuations of the land for the purpose of the assessment of the land tax. The subject of land tenure in Egypt is a complicated one, and one upon which it is difficult to obtain reliable information.^b Fortunately a discussion of the history and present status of land tenures in Egypt is not necessary for our purpose, because, regardless of the theoretical differences in present-day Egyptian land tenures, the great bulk of the privately owned agricultural land in Egypt may, *for all practical purposes*, be considered as held in fee simple. The administration of the land tax requires that the sarraf or tax collector in each village shall have a complete record of the ownership of lands in his jurisdiction, and of the liens thereon. Further records are kept at the offices of the mixed tribunals. The recent evaluation of the various land holdings in Egypt for the purpose of the land-tax readjustment affords the bank reliable information concerning the value of lands offered for mortgage. The Egyptian government itself, I am informed, holds itself responsible for the accuracy of the information concerning land titles and liens given by its duly authorized employees to the bank. As a result of this situation, the Agricultural Bank of Egypt has experienced little difficulty and no losses by reason of poor land titles.

APPLICABILITY OF THE EGYPTIAN PLAN TO THE PHILIPPINES.

We have now sketched the history of the Agricultural Bank of Egypt, explained its plan of operations, and pointed out what seem to be some of the more important elements in its success; it remains to say a few words concerning the applicability of the Egyptian plan to the Philippines. This subject has already been discussed in some detail in a previous report to the Philippine government on the advisability of establishing a government agricultural bank in the Philippines. A two-weeks study in Cairo and vicinity of the workings of the Agricultural Bank of Egypt has but served to strengthen my convictions, as set forth in that report, of the advisability of establishing an agricultural bank in the Philippines along lines similar to that of the Agricultural Bank of Egypt. In saying this I do not mean to imply that I believe that such a bank if established in the Philippines would be able to show the remarkable record of success during the first few years of its history that has been shown by the Agricultural Bank of Egypt. In fact, I do not believe it would be able to make such a record on the start, and that for three reasons,

^a There seems to be considerable evidence that the omdehs often illegally exact fees of applicants for loans. This is an evil which the bank has for some time been making serious but rather unsuccessful efforts to eliminate.

^b On this general subject consult *Gouvernement Egyptien, La Legislation en Matière Immobilière en Egypte*, Cairo, 1901.

one relating to the Filipino people as compared with the Egyptian fellaheen, another relating to the differences in the physical characteristics of the country, and the third relating to land titles in the Philippines as compared with those in Egypt. Let us take these points up in order.

THE FILIPINO FARMER AND THE EGYPTIAN FELLAH.

The Filipino and the Egyptian belong to entirely different races, and although possessing some characteristics in common, exhibit many important differences. Only two of these differences concern us here. All descriptions of the Egyptian fellah agree in describing him as industrious and docile.^a

These are qualities that make him a productive laborer and a man easily controlled—qualities of paramount importance for the debtors of an agricultural bank to have. Now, whatever other good qualities the Filipino may have—and, all in all, I am inclined to think that he will show to advantage in a comparison with the Egyptian fellah—industry and docility are qualities which his warmest admirers do not claim to particularly characterize him. For this reason it is probable that an agricultural bank in the Philippines would find that its payments would be met with less promptness than they are in Egypt, and would experience greater difficulties in enforcing the collection of delinquencies.^b (2) It is probable that a privately managed bank like the one recommended would have less trouble along these lines than a purely governmental institution, since it would be in a better position to deal with its customers on strictly business principles and to be exacting with reference to the terms of the loan contract.

While it must be admitted as improbable that the Filipinos as a people would prove as reliable customers for an agricultural bank as the Egyptian fellaheen, there is little reason to believe that a bank organized on the plan suggested would not be able to carry on a reasonably safe and satisfactory business, provided it would use due care in the selection of its customers, would require as security for all but its petty loans mortgages on land registered under the Philippine land registration act, and should take as great pains as does the Agricultural Bank of Egypt in the safeguards it throws about the various steps in the negotiation and collection of its loans. The following statement made by the Earl of Cromer concerning the Egyp-

^a "They are healthy, industrious after their own fashion, extraordinarily conservative in their habits and traditions, prone to obedience, devoid of initiative, good-humored, and pacific. * * * Alike in town and in country, the poorer classes are of the same manageable temperament—cheerful, sociable, and easily contented. * * * They are not only light-hearted, but light-natured. * * * To govern such a race is, under ordinary circumstances, a simple task. * * * The docile and pacific disposition of the race, their ignorance, and their lack of independence increase enormously the responsibility resting on their governors." Lord Milner, *England in Egypt* (1904 ed.), pp. 314, 316, 318.

* * * "In early life the Egyptian peasant is remarkably docile, active, and intelligent. * * * In his own fields the fellah is an industrious laborer, and his work is more continuous than that of the peasant of more northern countries." Dr. G. Schweinwurm in *Baedeker's Egypt*, pp. xxxviii, xxxix.

"Anyone who has seen much of the fellaheen population can bear testimony to the fact that they are a very hard-working and industrious race, who are keenly alive to such matters affecting their own interests as they clearly understand." The Earl of Cromer, *Egypt*, No. 1 (1900), p. 6; *Phil. Agric. Bank Rep.*, p. 528.

^b See pp. 660, 661, 662.

tian fellaheen applies with equal force to the agricultural population of the Philippines: "Until of recent years the system of government prevalent in Egypt was certainly not of a nature to encourage thrift. Time will assuredly be required to wean the Egyptian population from habits acquired during the long period when but little respect was shown for the rights of property, and when the demands of the taxgatherers were not merely excessive but also uncertain and capricious." ^a

GREATER SECURITY OF EGYPTIAN CROPS.

A second advantage which an Egyptian agricultural bank would have over one in the Philippines is in the greater certainty and security of Egyptian crops. Agricultural Egypt covers about 13,000 square miles along the Nile Valley and in the Delta. The area actually under cultivation during the crop year 1903-4 was in round numbers 5,500,000 ^b acres. As is well known, there is practically no rainfall throughout most of Egypt and the country is dependent for its water supply upon the river Nile. Formerly, when the country was dependent upon flood irrigation—that is, upon the deposits of water and silt brought down the river in the flood season and deposited over the Nile Valley and Delta, the crops were entirely dependent upon the vicissitudes of this flood. If the flood was of normal height and came at the proper season good crops were practically assured.

An excessively low flood meant scant irrigation, bad crops, and frequently famine; an excessively high flood meant devastation. Under the present system of perennial irrigation prevailing throughout lower Egypt and in certain parts of upper Egypt the distribution of the water supply has been brought largely under the control of man, and thanks to the reconstruction of the barrage, the erection of the Assuan dam, and other important recent improvements in the Egyptian irrigation system the waters of the flood season can be stored and distributed as needed throughout the year. By this means drouths and destruction of crops by reason of excessive floods are largely averted, and the country's crops are rendered much more certain and regular than in countries depending upon rainfall for their water supply.

Furthermore, the small area of the country, its compactness, and the ready accessibility of all parts, render the problem of dealing with various crop-destroying pests and blights a much more easy one than in a country like the Philippines. The relative security and regularity of crops due to these causes are an important factor in the successful extension of agricultural credit among petty farmers. In this respect Egypt has an advantage over the Philippines, and, for that matter, over every other country in the world in regard to the subject of land credit.

LAND TITLES IN EGYPT AND IN THE PHILIPPINES.

It has already been observed that for practical purposes, so far as the bank is concerned, the great bulk of the privately owned agricultural land in Egypt may be considered as being held in fee simple.

^a Egypt," No. 1 (1900), p. 6; Phil. Agric. Bank Rep., pp. 528, 645.

^b Report upon the Administration of the Public Works Department in Egypt for 1904, pp. 102, 169.

Moreover, mortgages are generally registered in the village where the land is situated and in the office of the proper mixed tribunal. As a result the Agricultural Bank of Egypt has been able from the start to be reasonably certain of the titles of the large number of farms offered to it by way of security. Titles registered under the Philippine land registration act would be even more certain than are Egyptian titles, but up to the present time a relatively small amount of Philippine agricultural land has been so registered, and as the proposed bill only permits the bank to accept as security mortgages on land registered under that act, the amount of land in the Philippines which could for some time be hypothecated to the bank would be comparatively small.

The small amount of registered land in the Philippines would probably retard somewhat the development of the bank's business at the beginning, but the difficulty would soon be remedied, as elsewhere ^a pointed out, by the stimulus given to the registration of titles by the knowledge that registered titles would probably enable the owners to obtain loans from the bank at a moderate interest rate.

CONCLUSION.

In some important respects the Philippines compare favorably with Egypt as a field for the operations of an agricultural bank. Certainly the need for such a bank in the Philippines is greater than it was in Egypt in 1898 when the National Bank of Egypt was established. The country is in greater need of capital, there are less facilities for the obtaining of loans on landed security, and the exactions of the usurer are, if anything, more oppressive.^b

In the office of municipal treasurer the bank would find a reasonably satisfactory agent for the collection of its annuities. The shortcomings of the Filipino presidente would probably not be much greater than those of the Egyptian omdeh. The Philippine land-registration act gives a more certain guaranty of title than does the present Egyptian registration system. The Filipino may not be as industrious as the fellah, but it is quite possible that he will improve in this respect as time goes on, now that he is beginning to learn that if he accumulates a little store of wealth he will not be robbed of it by government officers under the guise of law. The Egyptian fellah is said to have become noticeably more industrious and thrifty since the British control has made him secure in the possession of his property. It is furthermore true that the principal crops of the Philippines, particularly hemp, copra, and sugar, do not require the careful cultivation required by Egypt's cotton and rice. The Philippines, moreover, have the advantage of Egypt's experience—no small item in the establishment of an enterprise of this character. It is assumed that the Philippines would use similar care to that exercised by Egypt in the granting of the concession and in seeing to it that it should be administered in the interest of the public.

In the light of the phenomenal success of the Agricultural Bank of Egypt and of the crying need of the extension of agricultural credit in the Philippines, conditions would seem to justify giving the matter a fair trial at least. The management of an agricultural bank of the

^a Bank Rep., p. 498.

^b Bank Rep., pp. 510-512.

type recommended would at first extend its operations very slowly, and would certainly not risk any great amount of its capital, even under a government guaranty of interest, if its operations did not appear to be reasonably assuring after a fair trial.

In concluding this report I wish to bear testimony to the uniform courtesy and willing assistance rendered to me during my investigations in Egypt by government officials and by business men. My thanks are particularly due to His Excellency the Earl of Cromer, to Mr. Scott-Dalgleish, manager of the Agricultural Bank of Egypt, Mr. F. T. Rowlatt, governor of the National Bank of Egypt, the Honorable W. E. Brungate, Khedivial Counselor, and to the Honorable Lewis M. Iddings, Consul-General and Diplomatic Agent of the United States.

All of which is respectfully submitted.

E. W. KEMMERER,
*Special Commissioner of the Philippine
Government to Egypt.*

The SECRETARY OF WAR,
Washington, D. C.

The MEMBERS OF THE
UNITED STATES PHILIPPINE COMMISSION,
Manila, P. I.

APPENDIX.

EXHIBIT A.

THE AGRICULTURAL BANK OF EGYPT.

SCHEDULE I.—*Statutes.*^a

[New edition, with modifications made by General Meetings held on the 28th February, 1903, the 8th June, 1903, 6th and 23d of February, 1904, and 1st and 18th May, 1905.]

PART I.—*Name of the Company—Its Seat—Its Duration—Its Object.*

ART. I.

The Limited Liability Company constituted in accordance with the terms of the Decree dated the 17th May, 1902, and of the present Statutes takes the name of "THE AGRICULTURAL BANK OF EGYPT."

It is governed by the Mixed Codes.

ART. II.

Its head office is at Cairo, but the Board of Directors may create agencies at any other places in Egypt and abroad which it may think advisable for the interest of the Bank.

ART. III.

The duration of the Company is fixed at fifty years, reckoning from the 1st June 1902.

ART. IV.

The sole object of the Agricultural Bank of Egypt is to make advances to small farmers, under the following conditions:

(1) Advances not exceeding the sum of £E500 and recoverable in twenty and a half years at the latest. These advances are secured by First Mortgage on lands of a value of at least double the amount of the advance.

(2) Advances not exceeding the sum of £E20 and recoverable in fifteen months at the most.

The rate of interest must not exceed 9 per cent per annum, and, in any case, the maximum conventional rate fixed by the law. If at the end of any one year the advances made according to the above-named provisions should in the course of the year reach a capital of 7,000,000 Egyptian pounds, the maximum rate of interest shall, from the first day of the following year, be reduced to 8 per cent per annum for new advances as well as for the advances in course.

The recovery of the loans both as to Principal and contingent charges shall be accomplished by the agency of the sarrafs of the villages, who shall receive a commission of one-half per cent on all sums recovered. In addition to this the Bank will pay the Ministry of Finance the expenses of the staff specially employed in the service of the loans.

PART II.—*Funds—Shares—Bonds.*

ART. V.

The Company shall have a Capital of £3,740,000 sterling, of which:

(1) £2,480,000 sterling divided into 496,000 Ordinary Shares of £5 sterling each; £1,250,000 sterling, divided into 125,000 Preferred Shares, 4 per cent, of £10 sterling each, and £10,000 sterling, divided into 2,000 Founders' Shares (Deferred Shares), of £5 sterling each.

^a The modifications of the Statutes made by the General Meetings held on the 28th February and 8th of June, 1903, 6th and 23d February, 1904, and the 1st and 18th May, 1905, were approved by resolutions passed by the Board Meetings of the 9th April and 13th June, 1903, 14th April, 1904, and 30th May, 1905.

The Board of Directors fixes the amount of the calls.

The above-mentioned capital can only be increased with the consent of the Government.

Any new ordinary Shares which may be created in complement or increase of the aboved-named capital shall not be issued below par.

Holders of previously issued ordinary shares shall have a right of preference in proportion to the number of shares they hold to subscribe to the ordinary shares about to be issued.

The Board of Directors fixes the forms, extension of time, and conditions in which the advantage of these arrangements can be claimed.

New Founders' Shares can never hereafter be created.

ART. V A.

The Board of Directors is authorized, with the consent of the Government, to issue Bonds under such conditions as they think fit up to the amount of £6,570,000 sterling, including those already issued.

ART. VI.

The amount of the shares and bonds is payable at Cairo, at the Head Office, or at such places as may be determined by the Board of Directors, and on such terms as it will fix.

ART. VII.

Every sum whereof the payment is in arrear carries *ipso facto*, in favour of the Bank, interest at 7 per cent per annum, reckoning from the day on which it was claimable, without any demand in Judicature.

ART. VIII.

In default of payment when due, the Bank is entitled, one month after publication of the numbers of the shares or bonds in arrears in a newspaper appointed for legal advertisements in Cairo, to cause the shares or bonds to be sold on the Alexandria Bourse, in one lot or separately, even at successive dates, by stock brokers or agents, for account and at the risk and peril of the persons in arrear, without formal notice of judicial formalities.

The certificates of the shares or bonds so sold become *ipso facto* void, and new ones under the same numbers are delivered to the purchasers.

Any certificate which does not duly mention the payment of the sums claimable ceases to be negotiable.

The steps authorized by the present Article do not form an obstacle to the simultaneous exercise by the Bank of the ordinary means of the law.

The price resulting from the sale, after deducting the expenses, belongs to the Bank, and is set off, in accordance with the law, against that which is owing by the shareholder or bondholder whose shares or bonds have been sold, who remains liable for the difference, if there is a deficit, but who benefits by the surplus, if any.

ART. IX.

The Bank may make its share certificates and bonds registered or to bearer. The shares will be registered until they are fully paid. These certificates and bonds are numbered and provided with the signature of two Directors.

They bear the stamp of the Bank.

ART. X.

The registered shares or bonds are negotiated by a transfer entered in the Registers of the Bank.

For that purpose a declaration of transfer and a declaration of acceptance of transfer, the former signed by the transferrer and the latter by the transferee, are delivered to the Bank.

The transmission is only effected, either as between the parties or, as regards the Bank, by the registration of the transfer, made in accordance with these declarations, in the Registers of the Bank and signed by two Directors or two Attorneys of the Board of Directors.

The Bank may require that the signature and the capacity of the parties be legally certified.

Shares and bonds to bearer are transferred by simple delivery.

ART. XI.

Every Shareholder or Bondholder can deposit his shares or bonds at the Cashier's office and claim a registered receipt in exchange for the same.

The Board of Directors determines the conditions, the mode of delivery, the costs of the receipt, and the costs of the exchange of the shares or bonds.

ART. XII.

The shares of each category have among them, in the same way as the Founders' Shares, and each in proportion to their number, a share in the rights and advantages which are respectively conferred upon them by Articles 40 and 43 hereafter.

The dividends on every share, whether registered or to bearer, are validly paid to the bearer of the coupon.

ART. XIII.

The Shareholders are only liable up to the amount of the capital of each share; beyond that any call of funds is prohibited.

The possession of a share *ipso facto* involves adhesion to the Statutes of the Bank and to the resolutions of the General Meeting.

The heirs or creditors of a Shareholder can not, upon any pretext whatever, procure the affixing of seals upon the property and securities of the Bank, or demand the division of the sale thereof by auction, or interfere in any way in its administration.

For the exercise of their rights they must abide by the inventories and the resolutions of the General Meeting.

ART. XIV.

Every share or bond is indivisible; the Bank only recognizes one owner for one share or one bond. The rights and obligations which are attached thereto follow the share or bond into whatever hands it passes.

PART III.—*The Board of Directors—Commissaries—Auditors—General Meeting.*

ART. XV.

The Company is administered by a Board composed of the Governor of the National Bank of Egypt, as President, and of seven Members, three of whom are chosen from amongst the Directors of the National Bank of Egypt.

Three or at most four of these Members constitute a special committee, sitting in London, where they must have their residence. The Board of Directors will sit in Cairo. Nevertheless the President is at liberty to call a Meeting of the Board in London whenever the business of the Bank requires it. The Board will keep the London Committee informed of the business every week. It will take the opinion of the said Committee, and will count its votes in regard to—

(1) Of deciding upon a call of funds, of proposing the increase of the capital of the Company, or the distribution of shares of future creation, which the holders of shares have not the right to subscribe, or do not subscribe.

(2) Of settling the Agenda of the General Meetings, consenting to the convening of Extraordinary Meetings or proposing amendments of the Statutes.

(3) Of approving of the final balance sheet, which must be submitted every year to the General Meeting.

(4) When it is a question of the liquidation or the dissolution of the Company.

(5) In all questions relating to the increase of the capital or the issue of bonds, the conditions of such increase or of such issue, and the distribution.

(6) In all other cases in which the intervention of the Committee is asked for by the President of the Board of Directors.

ART. XVI.

The President is charged with the fulfilment of the resolutions of the Board of Directors and the direction of all the business of the Company.

ART. XVII.

Every Member of the Board of Directors must be the owner of at least 200 shares of the Company, deposited in the Company's offices. These shares shall be inalienable during the term of his office and until the General Meeting has passed the accounts for the period corresponding to the exercise of his task. The receipts for these deposits shall be stamped with a stamp showing their statutory character.

ART. XVIII.

The Members of the Board of Directors do not, by reason of their office, contract any personal liability. They are only responsible for the fulfilment of their task.

ART. XIX.

The office of the Member of the Board of Directors is personal; it can not be delegated nor exercised by delegation of power.

ART. XX.

The Board meets as often as it thinks fit.

The Board is convened by its President or by the person acting as such.

ART. XXI.

The Governor of the National Bank of Egypt or, failing him, the Sub-Governor of the said Bank, will preside over the Board of Directors.

In order that the decisions of the Board may be valid, there must be at least three Members present.

The resolutions of the Board are passed by a majority of votes. In case of equality, the President has a casting vote.

ART. XXII.

The resolutions of the Board of Directors are recorded by Minutes entered in special Registers and signed by the President or person acting as such. Similarly copies or extracts, to be produced for any reason whatsoever, shall be certified as correct by the President or the person acting as such.

ART. XXIII.

The Board of Directors has the widest powers for the management of the affairs of the Bank within the limits of the Statutes.

It acts in Judicature both as plaintiff and as defendant; it exercises all recourse and appeals, sets up all pleas of objection, and grants all powers.

It treats, arranges, makes references to arbitration, appoints all amicable referees, compromises, makes all remissions and abandonments, renounces all rights, grants releases and renunciation of all liens and mortgages, rights of annulment, attachments, or impediments whatsoever, and consents to the cancelment of all inscriptions, all with or without payment.

It consents to all priorities of rights, all subrogations and notes.

ART. XXIV.

The office of the Members of the Board of Directors has a duration of five years. It is always renewable under the same conditions. One-fifth of the Board is renewed every year.

By way of exception the first Board of Directors is appointed in the preliminary Deed of Association. The functions of this first Board will continue for five years.

Upon the expiration of that period the Members to retire in succession will be determined by lot. The renewal will thenceforth go by seniority.

The Board of Directors provisionally fills up any vacancies which may arise in its body.

These appointments are afterwards submitted to the first General Meeting. The Members so appointed to take the place of the other Members shall hold office until the time when the functions of those whose places they take would have expired.

The years of office shall be reckoned from one ordinary General Meeting to another. The Directors in office shall not cease to hold office until after the holding of the General Meeting and the appointment of their successors.

ART. XXV.

The remuneration of the Board of Directors is fixed at £2,600 sterling per annum. The distribution of this sum amongst the Directors shall be fixed by the Board of Directors.

ART. XXVI.

The Commissaries of the Government, delegated by the Minister of Finance to the National Bank of Egypt, likewise have as their task the strict observance of the Statutes of the Agricultural Bank of Egypt.

They may at any time examine the accounts of the Bank.

They may attend the Meetings of the Board of Directors with a consulting voice.

In case of a breach of the Statutes of the Bank they shall lay their written observations before the Board, and if the same are not taken into consideration, they shall at once make their report to the Minister of the Finances.

ART. XXVII.

The Ordinary General Meeting appoints an auditor annually; he is re-eligible indefinitely. He receives a remuneration fixed annually by the General Meeting.

The first Auditor shall be appointed by the Board of Directors in concert with the Government Commissaries.

It is the duty of the Auditor to examine the accounts for the current year, and to give his opinion to the next Ordinary General Meeting. He does not attend any meeting of the Board of Directors unless asked to do so.

In order to be an Auditor he must be the owner of twenty shares and must deposit them in the hands of the Company, where they remain inalienable during the whole term of his office. This deposit will be made and received under the same conditions as that of the Members of the Board of Directors.

GENERAL MEETING.

ART XXVIII.

The Ordinary General Meeting appoints the Members of the Board of Directors, with the exception of the President, and in conformity with the provisions of Article 15 of the present Statutes, as also the Auditor, by a majority of votes.

It hears the reports of the Board and of the Auditor.

It examines the accounts and approves of them or demands their correction, as the case may be.

It fixes the dividends to be distributed; but the dividend can not be larger than those proposed by the Board of Directors.

It deliberates upon all the interests of the Company within the limits of the Statutes.

The Extraordinary General Meeting, upon the proposal of the Board of Directors, can introduce into the present Statutes any modifications or additions which may be recognized as advantageous, subject to the approval of the Government. In particular it may resolve upon:

The increase or the reduction of the capital, shares, and bonds.

The prolongation or the limitation of the duration of the Company.

Its prior dissolution.

The modification of the object and of the name of the Company.

This enumeration is simply declaratory and by no means restrictive.

ART. XXIX.

The General Meeting is composed of all the shareholders of the Company entitled to vote, acting in person or by proxy.

ART. XXX.

Shareholders possessing at least five shares are entitled to vote at the General Meeting.

Every Shareholder shall, if he has not more than 100 shares, have as many votes as he possesses five times shares. If he possesses more than 100 shares he shall have, for the shares exceeding that number, as many votes as he has twenty times shares, and if he possesses upward of a thousand, as many votes as he has a hundred times shares.

The Shareholders entitled to vote may be represented at the General Meeting by legal or conventional proxies.

The Shareholders entitled to vote, who wish to attend the General Meetings, must deposit their shares at the Head Office or at the establishments indicated for that purpose by the Board of Directors, at least five days before the General Meeting. There shall be delivered to them, at the same time as the receipt for the deposit, an admission card bearing their name, or a proxy; this card shall state the number of votes which the holder has.

The shares deposited at the Bank for the meetings shall be returned after the close of the meetings and upon giving up the receipt.

ART. XXXI.

The Ordinary General Meetings shall be held every year in the month of February, at the Office of the Bank in Cairo, at the date fixed by the Board of Directors.

The Extraordinary General Meetings shall be held at the office of the Bank whenever the Board of Directors deem it advisable.

ART. XXXII.

The General Meetings shall be convened by a notice inserted in the Official Journal of the Egyptian Government and in a newspaper appointed for legal notices in Cairo and also in a London newspaper. These notices shall be inserted twice, at an interval of at least eight days, the second insertion appearing at least eight days before the date of the meeting.

The Board may order any additional publicity in Egypt and abroad.

When the notices are issued for the Extraordinary General Meetings, they must state summarily the object of the meeting.

ART. XXXIII.

The General Meeting, assembled upon a first notice, deliberates validly when the Shareholders present or represented constitute one-fifth of the shares issued.

If the General Meeting is extraordinary, the shareholders present or represented must constitute one-fourth of the shares issued.

In either case, if this condition is not fulfilled, a second Meeting shall *ipso facto* be convened in the same way, but at a period which may be reduced to fifteen days. In that case one single insertion shall be sufficient. At this second meeting the meeting deliberates validly, no matter what may be the number of shares produced by its members.

No modification of the Statutes can be resolved upon except by a General Meeting at which three-fourths of the capital of the Company—that is to say, of the share capital—are present or represented. Every resolution for a modification must be passed by at least one-half of the capital. But if the General Meeting does not comprise a number of Shareholders representing three-fourths of the said capital it may pass a provisional resolution by a simple majority of the Shareholders present or represented. In that case a fresh General Meeting is convened in the terms of the preceding paragraph. The notices of meeting acquaint the Shareholders with the provisional resolutions passed by the first meeting, and these resolutions become final if they are approved by the new meeting composed of a number of Shareholders representing at least one-fourth of the capital of the Company.

ART. XXXIV.

The General Meetings are presided over by the Governor of the National Bank of Egypt, or, failing him, by the Sub-Governor of the said Bank, who will form the Bureau by choosing, from among the Members of the meeting, two Tellers and a Secretary, whose appointment shall be submitted to the meeting for ratification.

The President directs the discussions. He is invested with the widest powers for that purpose.

At the meetings no other questions can be dealt with than those put down on the agenda prepared by the Board, which the President reads before the discussion.

The agenda of the Ordinary Meetings comprise, of themselves, everything that comes within the powers of these meetings. The agenda of the Extraordinary Meetings only comprise the subjects stated in the notice of the meeting. The agenda must, however, contain any proposals which have been submitted to the Board at least ten days before the day of the meeting, signed by at least twenty Shareholders entitled to attend the meeting and representing together at least one-tenth of the capital of the Company.

ART. XXXV.

The resolutions formulated by the Bureau shall be put to the vote by the President. They shall be passed by an absolute majority.

ART. XXXVI.

The resolutions of the General Meetings are binding on all the Shareholders, even on those who are absent or dissentient.

ART. XXXVII.

Minutes of the proceedings of the General Meetings shall be drawn up. These Minutes shall be entered in a special register and signed by the President, the Tellers, and the Secretary. The copies or extracts of the Minutes shall be certified either by the President of the Board of Directors or by a Director.

To the Minutes of each General Meeting shall be annexed the documents relating to the convening of the General Meeting and the attendance sheet stating the names of the Shareholders attending the meeting in person or by proxy, as also the number of shares represented.

PART IV.—*Annual Accounts—Inventories—Dividends—Reserve Fund.*

ART. XXXVIII.

The business year begins on the 1st January and ends on the 31st December. But the first year shall comprise the time elapsing between the 1st June, 1902, and the 31st December, 1903.

ART. XXXIX.

At the end of each year a general inventory of assets and of liabilities shall be drawn up. This inventory, the balance sheet, and the profit and loss account shall be placed at the disposal of the Government Commissaries, of the Auditor, and of the Shareholders, at the Head Office, ten days before the date fixed for the holding of the General Meeting.

The Board shall present these accounts to the General Meeting and submit them for its approval.

ARTICLE XL.

The receipts shall comprise—

- (a) The interest actually received every year.
- (b) The amount of the loans due or installments due for the preceding years and actually received in the course of the year, subject to what is stipulated in the last paragraph of article 41.

From the receipts above mentioned there must be deducted—

- (a) All the expenses of the company.
- (b) The amount of all loans due or installments due on these loans and not received in the course of the year.

The difference will constitute the net profits.

Out of these net profits there shall be taken successively and in the following order—

- (1) The interest on the Bonds.
- (2) For the Reserve Fund 5 per cent of the interest actually collected each year. If the interest exceeds £225,000 the amount set aside for the reserve shall be increased 2 per cent on the excess. This sum of £225,000, being calculated on the basis of 9 per cent, at which rate the loans are made at present, shall be proportionately reduced if the rate of interest is lowered subsequently. Should the interest to be paid by the company on Bonds it has issued be less than 4 per cent per annum, the difference between 4 per cent and the rate thus calculated shall be carried to the Reserve Fund. In calculating the rate of interest as above, account will be taken of the charge resulting from the reimbursement at par of Bonds which may have produced less than par.

The sums carried to the Reserve Fund shall be invested in securities approved of by the Government. The interest arising from these investments shall be added to the resources of the Reserve Fund.

From the remaining profits there shall first of all be taken the interest to be paid to the Preferred Shares, if any, and then 5 per cent of the said profits for the National Bank of Egypt by way of agreed remuneration for transacting the financial operations of the Agricultural Bank of Egypt, and the necessary sum to pay 5 per cent per annum interest to the holders of Ordinary Shares upon the amount paid up thereon.

The balance shall be distributed as follows:

- Fifty per cent to the Ordinary Shares.
- Fifty per cent to the Deferred Shares.

ART. XLI.

Whenever for any year during the fifty years of the duration of the Company the interest received in the year and the sums received upon the loans due or installments due and not received for the preceding years do not reach the necessary sum—

- (1) To cover all the expenses of the year and the amount of the loans or of the installments due and not actually received in the year.

(2) To leave a net profit representing 3 per cent of the capital invested in loans to the Fellahs.

The additional sum for the above purposes shall be taken out of the Reserve Fund and in the event of the said fund being insufficient the Government will pay to the Company by way of subvention, at latest on the 15th February in each year, the balance of the sum necessary for the above purposes.

In this latter case the loans or installments due and not received in the year, which are collected in the following years, shall be paid over to the Government, up to the amount of the subvention paid by it to the Company.

ART. XLII.

The dividends shall be paid annually at the times fixed by the Board of Directors, after the General Meeting has fixed the amount thereof.

The Board of Directors may in the course of the year distribute interim dividends.

Any dividend which is not claimed within five years from the time when it was payable is forfeited to the funds of the Company.

PART V.—*Dissolution—Liquidation—Disputes.*

ART. XLIII.

Upon the expiration of the Company, or in case of prior dissolution, the Extraordinary General Meeting, upon the proposal of the Board of Directors, settles the mode of liquidation, appoints the liquidators, and defines their powers.

The assets, after deducting all the debts and charges, shall be devoted successively and in the following order to repaying—

- (1) The capital paid up on the Preferred Shares (if any).
- (2) The capital paid up on the Ordinary Shares.
- (3) The capital paid up on the Founders' Shares.

The balance, if any, shall be distributed as follows: Fifty per cent to the Ordinary Shares. 50 per cent to the Founders' Shares.

The Reserve Fund, after previously deducting in favor of the Government all the sums which it may have paid by way of subvention and which have not been refunded to it, shall be distributed in the same proportion, viz: Fifty per cent to the Ordinary Shares. 50 per cent to the Founders' Shares.

ART. XLIV.

During the whole of the period of the liquidation the General Meeting retains its powers.

In particular it passes the account of the liquidation and gives a discharge for the same.

ART. XLV.

The appointment of the liquidators puts an end to the powers of the Board of Directors.

ART. XLVI.

Any disputes concerning the general and collective interest of the Company can only be directed against the Board of Directors or one of its members in the name of the body of Shareholders and in virtue of a resolution of the General Meeting.

Any Shareholder who wishes to raise such a dispute must give notice thereof at least one month before the next General Meeting to the Board of Directors, which is bound to put this motion down on the agenda of the meeting.

If the motion is rejected by the meeting no Shareholder can take it up again in his own name.

If it is accepted the meeting appoints one or more Commissaries to follow the dispute. All notices must be served on the Commissaries alone on pain of nullity.

ELWIN PALMER.
F. VON LEONHARDT.
JOSEPH I. AGHION.
JACQUES DE MENASCER.
A. C. ZERVUDACHI.
M. C. SALVAGO.
M. CATTAUL.

Witnesses:

E. MANUSARDI.
Z. GIANNOTTI.

SCHEDULE II.—*Concession.*

Between the Egyptian Government, represented by His Excellency, the Minister of Finance, duly authorized for that purpose by a resolution of the Council of Ministers dated the 17th May, 1902, of the one part, and the National Bank of Egypt and Sir Ernest Cassel, K. C. M. G., of the other part, it has been agreed as follows:

ART. I.

The National Bank of Egypt and Sir Ernest Cassel are authorized to constitute a Limited Liability Company for Agricultural Credit upon the following bases:

(1) The Company shall have a capital of £2,500,000 sterling, part in shares and part in bonds.

The division of its capital into shares and bonds shall be determined by the Company itself.

This capital can only be increased with the consent of the Government.

(2) It shall be administered by a Board composed of the Governor of the National Bank of Egypt, as President, and of five members, two of whom shall be chosen from amongst the Members of the Board of Directors of the National Bank of Egypt, and controlled by the Commissaries of the Government to the said Bank.

(3) It shall have the duration of fifty years.

(4) Its sole object shall be to make advances to small farmers under the following conditions:

(a) Advances not exceeding the sum of £E300 each, and recoverable in five years and a half at the latest. These advances are to be secured by first mortgage on lands, the value of which must be at least double the amount of the advance.

(b) Advances not exceeding the sum of £E20 each, and recoverable in fifteen months at the most.

(5) The rate of interest must not exceed 9 per cent per annum, and, in any case, the maximum conventional rate fixed by the law.

(6) The recovery of the loans, in principal and accessories, shall be effected through the Sarrafs of the villages, who shall receive from the Company a commission of one-half per cent on every sum recovered.

(7) The receipt shall comprise—

(a) The interest actually received every year.

(b) The amount of the loans due on installments due for the preceding years and actually received in the course of the year, subject to what is stipulated in the last paragraph of Article II.

From the receipts above mentioned there must be deducted—

(a) All the expenses of the Company.

(b) The amount of all loans due or installments due on these loans, and not received in the course of the year.

The difference will constitute the net profits.

Out of these net profits there shall be taken successively and in the following order—

I. The interest on the bonds.

II. Five per cent of the interest actually received every year for the Reserve Fund.

The sums carried to the reserve fund shall be invested in securities approved of by the Government. The interest arising from these investments shall be added to the resources of the Reserve Fund.

From the remaining profits there shall first of all be taken the interest to be paid to the Preferred Shares, if any; and then—

Five per cent of the said profits for the National Bank of Egypt, by way of agreed remuneration for transacting the financial operations of the Agricultural Bank of Egypt and the necessary sum to pay 5 per cent interest to the holders of Ordinary Shares upon the amount paid up thereon.

The balance shall be distributed as follows: Fifty per cent to the Ordinary Shares. 50 per cent to the Deferred Shares.

ART. II.

Whenever, for any year during the fifty years of the duration of the Company, the interest received in the year and the sums received upon the loans due or installments due and not received for the preceding years do not reach the necessary sum—

(1) To cover all the expenses of the year and the amount of the loans or of the installments due and not actually received in the year.

(2) To leave a net profit representing 3 per cent of the capital invested in loans to the Fellahs.

The additional sum for the above purposes shall be taken out of the Reserve Fund, and in the event of the said fund being insufficient, the Government will pay to the Company, by way of subvention, at latest on the 15th February in each year, the balance of the sum necessary for the above purposes.

In this latter case the loans or installments due, and not received in the year, which are collected in the following years, shall be paid over to the Government, up to the amount of the subvention paid by it to the Company.

Done at Alexandria in triplicate on the 17th May, 1902.

The Minister of Finances.

AHMED MAZLOUM.

EL. PALMER,

Governor National Bank of Egypt.

For Sir Ernest Cassel.

F. VON LEONHARDT.

A true copy.

M. INNES.

The Minister of Foreign Affairs certifies that the present copy of the Journal, bearing the date of the 24th May, 1902, and the No. 54, is the Official Journal of the Egyptian Government.

Done at San Stefano, 10th September, 1902.

(L. S.) BOUTROS GHALI.

(Here follows consular legalization in English.)

EXHIBIT B.

Annual Reports of the Directors of the Agricultural Bank of Egypt.

SCHEDULE I.—*Report of the Directors for the period June 1, 1902, to December 31, 1903.*

[Agricultural Bank of Egypt.—Société Anonyme, incorporated under Egyptian law. Created by the Khedivial decree dated May 17, 1902, under concession of the same date granted by the Egyptian Government. Capital issued £1,875,000, in 62,500 Cumulative 4 per cent Preferred Shares of £10 each, 24,000 ordinary shares of £5 each, and 2,000 Deferred Shares of £5 each.]

Directors.—Sir Elwin Palmer, K. C. B., K. C. M. G. (President); E. W. P. Foster, C. M. G.; Sir John Rogers, K. C. M. G. D. S. O.; Monsieur Felix Suares.

London Committee.—Sir Vincent Caillard (Chairman); the Right Hon. Viscount Esher, K. C. B., K. C. V. O.; the Right Hon. Arnold Morley; the Hon. S. Peel.

Government Commissioners.—V. Harari Pacha, Nubar Bey Innes.

Auditors.—Messrs. Hoare & Russell.

Report of the Directors on the working of the Bank from the 1st June, 1902, the date of the establishment of the Bank, to the 31st December, 1903, to be submitted to the Shareholders at the first Ordinary General Meeting, to be held at the offices of the Bank in Cairo on Tuesday, the 23d day of February, 1904, at 3.30 p. m.

The Directors have to report that after crediting the Reserve Fund with £7,729 3s. being the Statutory 5 per cent on the interest collected on loans, the net profits from the 1st June, 1902, to the 31st December, 1903, are £72,186 15s. 8d.

	£	s.	d.
The amount of accrued Interest on the 62,500 Cumulative 4 per cent Preferred Shares is.....	2,435	7	9
5 per cent of the Net Profits to the National Bank of Egypt.....	3,609	6	8
	6,044	14	5
Balance available for dividend on the Ordinary Shares.....	66,142	1	3
Total as above.....	72,186	15	8

The Directors recommend the payment of a dividend of 4 per cent per annum on the Ordinary shares calculated from the dates on which the installments were due, which will absorb £65,953 15s., leaving £188 6s. 3d. to be carried forward.

In accordance with the Statutes of the Bank only the Interest actually recovered during any financial year can be taken into account in making up the Balance Sheet. Thus only the interest actually collected, viz, £154,582 19s. 7d. has been carried to Profit and Loss Account, whereas the interest accrued amounted to £39,286 19s. 11d. more.

This large difference will disappear in future years and a similar difference will only arise when, in any current year, fresh capital has been employed, the interest on which is recoverable in the following year.

In accordance with the resolution passed by the shareholders at a Meeting held on the 29th October, 1903, 62,500 Cumulative 4 per cent Preference Shares of £10 each, part of an issue of 125,000 shares, were issued to the public on the 4th November, 1903, all of which have been applied for and allotted.

This being the first annual report presented to the Shareholders, the Directors consider it expedient to explain to them somewhat fully the working of the Bank.

The sole business of the Agricultural Bank is to advance money to small landowners.

All of these are paying land tax, and the amount paid by them is of material guidance to the Bank in accepting or rejecting applications for Loans.

There are two kinds of loans, loans termed "A Loans," which consist of small sums from P. T. 50 to £E20, these are recoverable within fifteen months, and "B Loans," i. e., loans of over £E20 up to £E300, the maximum period for the recovery of which is ten and one-half years, the redemption taking place by equal annual installments. For the A Loans there is no special security beyond the crop. The B loans are secured by a first mortgage on land of a value at least double the amount of the loan.

Lists of all loans made by the Bank are sent to the Ministry of Finance, by whom they are sent to the village tax collectors with orders to recover the amount falling due; at the beginning of each month the Ministry of Finance informs the Bank what amount has been recovered during the previous month and credits the Bank with the amount collected; the Bank pays the tax collectors one-half per cent on all recoveries effected by them. At the end of the month succeeding the one in which recovery is due, the Ministry of Finance sends the Bank lists of all loans then in arrear, if any, and the necessary steps have to be taken by the Bank's agents to get in the arrears.

With a view to improving the cotton crop, both in quantity and in quality, the Khedivial Agricultural Society has for the past few years offered to provide the small proprietors with specially selected cotton seed. By an arrangement with the Bank an "A" loan is given for the cost of the seed furnished to each applicant. It has now been settled that the demands for seed shall be received by the Bank's agents, the seed being provided by the Agricultural Society and distributed by the Government agents as in the past. An experiment is also being made in two districts to see if the distribution of manure on the same basis can be made.

In the first financial year of the Bank's working, consisting of nineteen months, there were put out 59,607 "A" loans, amounting to £E380,860, and 55,014 "B" loans, which amounted to £E1,970,307.

The number of loans outstanding on the 31st December, 1903, was 78,911, of which 13,156 were in A loans, amounting to £E104,684 and 65,755 in B loans, amounting to £E2,091,157. The 65,755 "B" loans include the loans taken over from the National Bank of Egypt on the formation of the Agricultural Bank. The total of the A and B Loans was £E2,195,841, being an average of £E27.82 for each loan.

It will be seen from the above figures that the amount of Loans granted has exceeded the present Capital raised, and arrangements have accordingly been made with the National Bank of Egypt for providing funds in anticipation of a further issue of capital being made.

In view of the constantly increasing demand for loans from the Bank, the Egyptian Government have unofficially agreed to extend their subvention guaranteeing 3 per cent per annum on the capital employed to a further £2,500,000, which it is proposed to raise gradually by debentures as the money is required. The terms of the proposed arrangements in this connection are expressed in the proposed modification of the Statutes which have been submitted to the sanction of the Shareholders.

The following statistics of Loans outstanding on 31st December, 1903, may be of interest:

A.	
Loans of 1 £E and under.....	759
Loans over 1 £E to £E5	5,963
Loans over 5 £E to £E20.....	6,434
	<hr/> 13,156
B.	
Loans from £E20 to £E50	53,481
Loans over £E50 to £E100	7,928
Loans over £E100 to £E150	2,359
Loans over £E150 to £E300.....	1,987
	<hr/> 65,755
	<hr/> 78,911

The total number of land taxpayers according to the figures furnished by the Ministry of Finance is 1,026,081; at least 96 per cent are proprietors of 20 feddans or less, 85 per cent being proprietors of 5 feddans or less. It will be noticed that so far the proportion of land taxpayers who have become clients of the Bank is not large.

There appears little doubt that a far greater proportion will in time apply to the Bank for accommodation, and in fact since 31st of December last up to the 8th of February loans have been granted to 7,516 applicants amounting to £E34,456 in A loans and £E229,419 in B loans.

The directors consider that they have established ample safeguards for the conduct of the business of the Bank, and they have every reason to believe that it will continue to develop in a manner satisfactory both to that part of the Egyptian population which it is intended to serve and to the shareholders.

The Board wish to record their appreciation of the services rendered by the Manager, Mr. Scott-Dalglish, and by all the agents of the Bank.

By order of the board.

ELWIN PALMER, *President.*

CAIRO, *February, 1904.*

Agricultural Bank of Egypt.

BALANCE SHEET 31ST DECEMBER, 1908.

LIABILITIES.		£E.	M.	£	s.	d.
To Capital paid up:		£E.	M.			
245,000 Ordinary Shares of £5 each.		1,200,000				
2,000 Deferred Shares of £5 each.		9,750				
62,500 4 per cent Cumulative Preferred shares of £10 each, partly paid up		490,780,300				
To Sundry Creditors:						
National Bank of Egypt, Overdraft.		448,223 045				
Interest accrued on Preferred Shares.		1,862 883				
Agents and Grafiers Commission.		7,475 174				
5 per cent to National Bank of Egypt as per Statutes.		3,519 105				
Sundries.		1,121 409				
To Reserve Fund:						
Being 5 per cent on £E150,718,411.				402,211 616	474,063	3 11
To Staff Provident Fund				7,535 920	7,729	3 0
To Legal Expenses Fund				820 831	841	17 7
To Reserve against loans overdue, as per Statutes				6,009 591	6,163	13 8
To Reserve against overdue Interest				5,495 693	5,536	12 2
To Suspense Account				1,471 842	1,500	11 7
Being Interest accrued to 31st December, 1903 and due in 1904.						
To Profit and Loss Account Balance				36,832 984	37,777	8 4
				64,438 509	66,142	1 3
				2,284,267 286	2,342,971	11 6

Agricultural Bank of Egypt—Continued.

PROFIT AND LOSS ACCOUNT FROM 1ST JUNE, 1903, TO 31ST DECEMBER, 1903.

	£E. M.	£E. M.	£ s. d.		£E. M.	£E. M.	£ s. d.
To Interest on Bank Overdraft	16,855 773		17,287 19 6	By Interest collected	150,718 411		154,582 19 7
To Reserve against overdue loans	3,495 693		6,636 12 2	Less Current Expenses, and Provision			
To Director's fees	3,575		3,575 13 4	for reduction of furniture account,			
To Reserve Fund	7,535 920		7,759 3 0	one-sixth of Preliminary Expenses	46,573 908		48,075 18 0
To Interest on Preferred shares	2,374 506		2,435 7 9	and of cost of Preferred Share issue.			
To Remuneration to National Bank					103,844 506		108,507 3 7
of Egypt, being 5 per cent on net							
Profits, as provided by the Statutes.	3,519 105		3,600 6 8				
		39,355 996	40,365 2 4				
To Balance to be dealt with as follows:							
Interest at 4 per cent per annum from							
dates on which the instalments	64,304 906		66,142 1 3				
were due on 248,000 Ordinary Shares.	183 603						
To be carried forward		103,844 506	108,507 3 7		103,844 506		108,507 3 7

Accountant, H. Brereton; Manager, G. Scott-Dalglish; President, Edwin Palmer.
We have examined the above Balance Sheet and certify that in our opinion it is a full and fair Balance Sheet and properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs.
1st FEBRUARY, 1904.

HOARE & RUSSELL, Chartered Accountants.

SCHEDULE II.—Report of the Directors for the Period January 1, 1903, to December 31, 1904.

[Agricultural Bank of Egypt. Societe Anonyme incorporated under Egyptian Law. Created by the Khedivial decree dated May 17, 1902, under a concession of the same date granted by the Egyptian Government. Capital issued: £3,750,000 sterling. 248,000 Ordinary Shares of £5 each; 62,500 Cumulative 4 per cent Preferred Shares of £10 each; 2,000 Deferred Shares of £5 each; £1,875,000 in Debentures bearing interest at 3½ per cent per annum. Reserved Fund, £20,910 10s. 7d.]

Directors.—Sir Elwin Palmer, K. C. B., K. C. M. G., President; E. W. P. Foster, C. M. G.; Sir John Rogers, K. C. M. G., D. S. O.; Monsieur Felix Suares.

London Committee.—Sir Vincent Caillard, Chairman; The Right Hon. The Viscount Esher, K. C. B., K. C. V. O.; The Right Hon. Arnold Morley; The Hon. S. Peel.

Government Commissioners.—H. E. V. Harari Pacha and Nubar Bey Innes.

Auditors.—Messrs. Hoare and Russell.

Report of the Directors on the working of the Bank for the year 1904 to be submitted to the Shareholders at the second Ordinary General Meeting to be held at the Offices of the Bank in Cairo on Monday, the 20th of February, 1905, at 3 o'clock p. m.

The Directors have to report that the net profits of the Bank for the financial year 1904, established in accordance with Article 40 of the Statutes, amount to £157,859 9s. 11d.

From this amount there has to be deducted:

	£	s.	d.		£	s.	d.
I. The service of the Bonds outstanding	27,795	10	7				
II. The Provision for the Reserve Fund.....	12,916	8	10				
					40,711	19	5
Leaving.....					117,147	10	6

And there has to be further deducted:

	£	s.	d.		£	s.	d.
III. Dividend on £625,000 Preferred Shares	24,596	3	7				
IV. 5 per cent to the National Bank of Egypt.....	5,866	15	10				
					30,462	19	5
					86,684	11	1

which is available for distribution of dividend on Ordinary and Deferred Shares.

The Ordinary Shares have to receive in the first instance dividend at the rate of 5 per cent per annum..... 62,000 0 0

The balance of..... 24,684 11 1
is available to the extent of one-half, or £12,342 5s. 6d. for further dividend on the Ordinary Shares and to the extent of one-half, or £12,342 5s. 6d., for dividend on the Deferred Shares.

ORDINARY SHARES.

The amounts available for dividend on these shares for the year are as follows:

	£	s.	d.
Balance from 1903.....	188	6	3
For dividend at the rate of 5 per cent per annum	62,000	0	0
Further amount available.....	12,342	5	6
	74,530	11	9
The Directors propose a dividend at the rate of 6 per cent per annum for the year 1904 on the Ordinary Shares, amounting to.....	74,400	0	0
and to carry forward the balance of.....	130	11	9

DEFERRED SHARES.

The amount available for dividend on these Shares is..... 12,342 5 6
The Directors propose a dividend at the rate of £6 3s. per Share for the year 1904, amounting to..... 12,300 0 0
and to carry forward the balance of..... 42 5 6

As pointed out in last year's report, only the interest actually recovered during any financial year can be taken into account in making up the Balance Sheet. Accord-

ingly, only the interest actually collected, viz, £248,806 6s., has been carried to the credit of Profit and Loss account for 1904, whereas the interest accrued amounted to £70,594 12s. 3d. in addition to this amount.

At the end of 1904 the Overdue Loans for the year amounted to £21,220 and the Overdue Interest to £7,209. Of these two items, £13,730 and £4,530 have been collected, respectively, since the closing of the accounts for 1904.

The Directors are glad to be able to report that the work of the Bank has steadily progressed throughout the year. The total number of Loans put out in 1904 was 112,103, and the total number outstanding on the 31st December, 1904, was 134,207, amounting to over £4,000,000, as against 78,911, amounting to a little over £2,000,000, on the 31st December, 1903.

The following statistics of loans outstanding on the 31st December, 1904, may be of interest:

"A."

Loans of P. T. 50 to £E1.....	1.060	
Above £E1 to £E5	6.776	
Above £E5 to £E20	9.662	
		17.498

"B."

Loans from £E20 to £E50	96.234	
Above £E50 to £E100	13.207	
Above £E100 to £E150	3.934	
Above £E150 to £E500	3.334	
		116.709
		134.207

The average of the small loans is £E6.1 and the average of the larger loans £E33.3.

During January of this year the Balance of the 3½ per cent Bonds, amounting to £625,000, has been placed and about £65,000, part of the unissued Preferred Shares, have been sold.

The constantly increasing applications for loans make an extension of the powers of the Bank for providing Capital necessary, and accordingly negotiations have been entered into with the Government, the result of which will be communicated to the Shareholders in due course.

The Board wish to record their appreciation of the services of the whole staff at the Headquarters of the Bank and of the Bank and of the Agents in the provinces.

By order of the board.

ELWIN PALMER, *President.*

CAIRO, *February, 1905.*

687

Chief accountant, J. W. E. Lombard, Manager, G. Scott-Daigleish; President, Elwin Palmer.

We have examined the above Balance Sheet and certify that in our opinion it is a full and fair Balance Sheet and properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as shown by the Books.

9th February, 1905.

HOARE & RUSSELL,

**HOARE & RUSSELL,
Chartered Accountants.**

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31ST DECEMBER, 1904.

	£ E. M	£	s.	d.	£ E. M	£	s.	d.
To Interest on Bank overdraft.....	25,123 615	25,778	1	4	By Balance carried forward from 31st December, 1903.....	183 603	183	6 3
To Reserve against overdue Loans	20,699 369	21,219	17	1	By Loans overdue to 31st December, 1903, collected during 1904.....	4,393 645	4,393	6 0
To Service of Debentures.....	27,100 640	27,795	10	7	By Interest collected.....			
To Director's Fees.....	2,535 000	2,600	0	0	On Loans due in 1904.....	242,593 140	242,593	6 0
To Reserve Fund, as per Statutes.....	12,603 529	12,916	8	10	On Loans overdue.....	247,163 388	247,163	18 3
To Interest on Preferred shares.....	22,981 275	24,598	3	7	Less current expenses, depreciation of Buildings and Furniture, one-sixth of Preliminary Expenses and cost of Preferred shares issued, and contribution to Staff Provident Fund.....	44,708 803	45,355	3 8
To Remuneration to National Bank of Egypt, as provided by the Statutes	5,720 121	5,866	15	10				
		117,753 540						
To Balance, to be dealt with as follows: Interest and Dividend at 6s. per Ordinary share, being 6 per cent.....	72,540 000	120,772	17	3				
Dividend at 4s. 6d. per Deferred share.....	11,922 500							
Balance carried forward.....	168 545	84,701 045	86,872	17 4				
		202,454 585	207,645	14 7				
					202,454 585	207,645	14 7	

Chief accountant, J. W. E. Lombard; Manager, G. Scott Dakelish; President, Edwin Palmer.

SCHEDULE III.—Report of the Directors for the Period January 1, 1904, to December 31, 1905.

[Agricultural Bank of Egypt. Societe Anonyme Incorporated under Egyptian Law. Created by Khedivial Decree dated May 17, 1902, under a Concession of the same date granted by the Egyptian Government. Authorized Share Capital £stg. 3,740,000 in 496,000 Ordinary Shares of £5 each, 125,000 Cumulative 4 per cent Preferred Shares of £10 each, 2,000 Deferred Shares of £5 each. (All issued.) Authorized Debenture Capital £stg. 6,570,000 (of which £2,500,000 have been issued). Reserve Fund, £47,418 3s. 11d.]

Directors.—The Governor of the National Bank of Egypt (President); E. W. P. Foster, C. M. G.; Sir John Rogers, K. C. M. G., D. S. O.; Monsieur Felix Suares.

London Committee.—Sir Vincent Caillard (Chairman); the Right Hon. the Viscount Esher, K. C. B., K. C. V. O.; the Right Hon. Arnold Morley; the Hon. S. Peel.

Government Commissioners.—Nubar Bey Innes and L. G. Roussin, esqs.

Auditors.—Messrs. Russell & Kerr.

Report of the Directors on the working of the Bank for the year 1905 to be submitted to the Shareholders at the third Ordinary General Meeting, to be held at the Offices of the Bank in Cairo on Wednesday, the 28th of February, 1906, at 3 o'clock p. m.

The Directors have to report that the—
Net profits of the Bank for the financial year 1905, established in accordance with Article 40 of the Statutes, amount to £302,285 14s. 5d. From this amount there has to be deducted:

	£	s.	d.			
I. The service of the Debentures issued	96.202	11	0			
II. The Provision for the Reserve Fund	25.790	4	6	£	s.	d.
				121.992	15	6
Leaving.....				180.292	18	11

And there has to be further deducted:

	£	s.	d.			
III. Dividend on £1,250,000 Preferred Shares	46.128	10	11			
IV. Five per cent to the National Bank of Egypt..	9.023	5	10			
				55.151	16	9
Leaving.....				125.141	2	2

which is available for distribution of dividend on Ordinary and De-ferred Shares.

The Ordinary Shares have to receive in the first instance dividend at the rate of 5 per cent per annum.....	62,000	0	0
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The balance of.....	63,141	2	2
is available to the extent of one-half or.....	31,570	11	1
for further dividend on the Ordinary Shares and to the extent of one-half, or.....	31,570	11	1
for dividend on the Deferred Shares.			

ORDINARY SHARES (FIRST ISSUE OF 248,000 SHARES).

The amounts available for dividend on these Shares for the year are as follows:

	£	s.	d.
Balance from 1904.....	130	11	9
For dividend, at the rate of 5 per cent per annum	62,000	0	0
Further amount available.....	31,570	11	1
	93,701	2	10

The Directors propose a dividend at the rate of 7½ per cent per annum for the year 1905 on the 248,000 Ordinary Shares of the first issue, amounting to.....	93,000	0	0
--	--------	---	---

and to carry forward the balance of.....	701	2	10
--	-----	---	----

DEFERRED SHARES.

The amounts available for dividend an these Shares are as follows:

Balance from 1904.....	42	5	6
Further amount available.....	31,570	11	1
	31,612	16	7

The Directors propose a dividend at the rate of £1 5 15s. per Share for the year 1905, amounting to

£	s.	d.
31,500	0	0

and to carry forward the balance of.....

112	16	7
-----	----	---

Only the interest actually recovered during any financial year can be taken into account in making up the Balance Sheet. Accordingly, only the interest actually collected, viz, £432,717 9s. 11d. has been carried to the credit of Profit and Loss account for 1905, whereas the interest accrued amounted to £89,627 15s. 6d. in addition to this amount.

At the end of 1905 the overdue Loans for the year amounted to £68,400 and the overdue interest to £28,660.^a

The greater part of these arrears was outstanding in the Behera Province and in the Northern parts of Gharbieh and Dakahlieh. Of this amount over £E30,000 has been collected by the Bank up to February 8th.

Owing to the lateness of the cotton crops in these parts the payment to the fellaheen against sale of their cotton was naturally delayed, and hence the Bank was late in collecting its money.

The Directors are glad to be able to report that the work of the Bank has continued to increase steadily, £2,937,960 having been put out in loans during 1905, against £2,497,300 in 1904.

The total number of Loans put in 1905 was 106,373 and the total number outstanding on the 31st December, 1905, was 185,530, amounting to over £5,900,000, as against 134,207, amounting to a little over £4,000,000, on the 31st December, 1904. Of these 185,530, 21,829 are A Loans and 163,701 B Loans.

The following statistics of loans put out during the year may be of interest:

“ A.”

Loans of P. T. 50 to £E1.....	1,861	
Above £E1 to £E5.....	19,217	
Above £E5 to £E20.....	26,863	
	47,941	

“ B.”

Loans from £E10 to £E50.....	45,267	
Above £E50 to £E100.....	7,478	
Above £E100 to £E150.....	2,596	
Above £E150 to £E500.....	3,081	
	58,432	
	106,373	

The average of the small loans is £E8.4 and the average of the larger loans £E42. 1.

In addition to the £625,000 of the 3½ per cent Bonds issued in January, 1905, the whole of the remainder of the Preferred Shares has been placed during the year, thus completing the issue of the £5,000,000 of Capital authorized in 1904.

At the Extraordinary General Meeting of the Bank of the 18th of May, 1905, it was resolved to increase the Share Capital to £3,740,000 by the issue of 248,000 new Ordinary Shares of £5 each and to increase the Debenture Capital from £2,500,000 to £6,570,000. This was duly sanctioned by the Government, subject to the condition that from the beginning of the year succeeding that at the end of which the loans outstanding should have reached £E7,000,000 the maximum rate of interest charged to Fellaheen should be reduced to 8 per cent for both old and new loans.

The new Ordinary Shares were issued pro rata to the original shareholders at par, in October, and will rank equally with the old Shares from January 1st of this year.

The Board has to announce with the greatest sorrow and with a deep sense of the loss the Bank has sustained, the sad death of Sir Elwin Palmer, Governor of the National Bank of Egypt and President of the Agricultural Bank of Egypt, to which institutions his great capacity and untiring energy were devoted.

They wish to record their appreciation of the services of the whole staff at the Headquarters of the Bank and of the Agents in the provinces.

CAIRO, February, 1906.

For the Board.

F. T. ROWLATT,
Sub-Governor of the National Bank of Egypt.

^a [Of this total sum of £97,060, £70,000 was collected prior to March 31, 1906.—E. W. K.]

EXHIBIT "C."

Extracts from the Annual Reports of the Earl of Cromer Relative to the Agricultural Bank of Egypt, and to the Distribution of Egyptian Land.

SCHEDULE I.—*Extract from the Annual Report of the Earl of Cromer for the year 1904.*^a

The Agricultural Bank has considerably extended its operations during the past year, and it now may be said to be working all over Egypt. The number of loans not exceeding £E20 put out during the past year was 47,753, the number of loans of from £E20 to £E500 was 64,350, making a total of 112,103. Many of the loans were, without doubt, contracted to make good the loss of cattle consequent on the cattle plague.

The following were the number of loans outstanding at the end of 1904:

From P. T.50 to £E1.....	1, 060
From £E1 to £E5.....	6, 776
From £E5 to £E20.....	9, 662
From £E20 to £ E50.....	96, 234
From £E50 to £E100.....	13, 207
From £E100 to £E150.....	3, 934
From £E150 to £E500.....	3, 334
Total.....	134, 207

The average amount of loans below £ E. 20 was £ E. 6.1; that of the loans above £ E. 20 was about £ E. 33.

The total amount outstanding on the 31st December, 1904, was 4,005,569 l. The total now outstanding (January 31st) is 4,346,500 l. As the capital of the bank is only 5,000,000 l, an increase of capital will very shortly be required.

The arrears in capital and interest for the year 1904 amounted to £E27,718, or about 3 per cent, of the amount that was due for collection. By the end of January about a third of these arrears had already been recovered.

* * * * *
In my report for the year 1902 (p. 24) I made some remarks on the distribution of land in Egypt.

I stated that such statistics as existed were not thoroughly trustworthy, as all transfers of land were not registered.^b This source of error still exists, but a fair degree of reliance may nevertheless be placed on the figures for all purposes of comparison.

The following table shows the changes which have taken place during the last five years:

Area of holding.	1900.		1904.	
	Number of landown-ers.	Acreage.	Number of landown-ers.	Acreage.
Below 5 acres.....	761, 337	1, 113, 411	932, 013	1, 213, 444
From 5 to 10 acres.....	80, 171	560, 195	78, 902	551, 441
From 10 to 20 acres.....	39, 710	550, 774	38, 658	534, 884
From 20 to 30 acres.....	12, 267	301, 334	11, 868	288, 281
From 30 to 50 acres.....	8, 990	344, 765	8, 791	338, 004
Above 50 acres.....	11, 939	2, 243, 573	12, 311	2, 348, 047
Total.....	914, 414	5, 114, 052	1, 082, 543	5, 274, 191

It will be observed that the total increase in the area during the past five years amounts to 160,139 acres. Of this amount 104,474 acres apparently went to the large c

^a "Egypt," No. 1 (1905), pp. 29-32.
^b The recent reduction of from 5 per cent to 2 per cent on the duty heretofore levied on sales may possibly incline more persons to register than heretofore, but the change has, of course, not as yet had time to operate. A proposal is now being studied by the Commission appointed to examine certain proposed changes in the law administered by the mixed Tribunals to render registration compulsory. It is greatly to be hoped that this excellent proposal will be adopted. Among other good results it will for the first time enable thoroughly accurate information to be obtained as regards the distribution of land.
^c For the purposes of the present argument, I use the words "large proprietors" as signifying those owning more than 50 acres of land.

and 55,665 acres to the smallest class of proprietors, namely, those holding under 5 acres. These latter have also gained 44,368 acres from the intermediate classes, viz, those holding between 5 and 50 acres.

It is also to be noted that the acreage held by the smallest class of proprietors increased from 21.78 per cent of the total amount in 1900 to 23.01 per cent in 1904, and that the acreage held by the "large" proprietors increased from 43.87 per cent to 44.52 per cent during the same period. On the other hand, the number of proprietors in all the intermediate classes, as also the acreage held by them, has decreased in slightly different proportions.

An examination of the figures of the intermediate years shows that both the increase in the large and very small proprietors, and also the decrease in the four intermediate classes, have been continuous. The explanation probably lies to a certain extent in the fact that under the Mohammedan law of succession when a landowner dies his property is divided amongst all his heirs. This would naturally operate in the direction of increasing the smaller categories of proprietors and diminishing the larger categories. Its effect on the class of "large" proprietors would for obvious reasons be less perceptible.

The following Table shows the proportions of land held by Europeans and local subjects in 1900 and 1904, respectively:

Area of holding in acres.	1900.			
	Europeans.		Natives.	
	Numbers.	Acreage.	Numbers.	Acreage.
Below 5 acres.....	2,446	4,877	758,891	1,108,534
From 5 to 10 acres.....	792	5,892	79,379	554,308
From 10 to 20 acres.....	717	10,724	38,993	540,050
From 20 to 30 acres.....	372	9,224	11,895	292,110
From 30 to 50 acres.....	467	18,337	8,523	326,428
Above 50 acres.....	1,553	537,095	10,386	1,706,478
Total.....	6,347	586,149	908,067	4,527,903
	1904.			
Below 5 acres.....	2,597	4,524	929,416	1,308,939
From 5 to 10 acres.....	699	5,223	78,203	546,218
From 10 to 20 acres.....	625	9,034	38,033	525,890
From 20 to 30 acres.....	322	8,099	11,546	280,182
From 30 to 50 acres.....	385	15,260	8,406	322,834
Above 50 acres.....	1,615	582,033	10,696	1,766,014
Total.....	6,243	624,173	1,076,300	4,650,018

It will be seen (1) that the total number of European proprietors has fallen in the last five years from 6,347 to 6,243; (2) that the number of "large" European proprietors has increased from 1,553 to 1,615; (3) that the total acreage held by all European proprietors has increased from 586,149 to 624,173 acres; (4) that the total number of native proprietors has increased from 908,067 to 1,076,300, and (5) that the acreage held by native proprietors has increased from 4,527,903 to 4,650,018.

The policy of the Egyptian Government has been to endeavor to maintain the small proprietors, and, whilst affording all reasonable facilities for the employment of European capital in land development, to do nothing which would tend toward ousting native proprietors and substituting Europeans in their places. It is always somewhat dangerous to base conclusions on statistics—more especially when, as in the present case, they are incomplete—unless they have been most carefully examined. In the figures given above, however, there appears to be nothing inconsistent with the statement that the aims of the land policy adopted in Egypt have been achieved.

The increase in the aggregate amount of European holdings and the general increase in the number of "large" proprietors are both probably due to the same cause, viz, the formation of land Companies which, after expending capital on improvements, sell the land to native Egyptians. If this surmise is correct, the policy is unquestionably sound and should not be changed.

SCHEDULE II.—*Extract from the Annual Report of the Earl of Cromer for the year 1905.*^a

In the course of last year the Agricultural Bank was authorized to issue 284,000 new ordinary shares of £5 each to its old shareholders at par, thus raising its authorized share capital from £2,500,000 to £3,740,000. The Bank was also authorized to increase its debenture capital from £2,500,000 to £6,570,000.

In the course of the last year 106,373 loans were made by the Bank. Of these, 47,941 were what are called "A" loans, that is to say, they were loans issued against receipt, of from T. P. 50 to £E20. The remaining 58,432 loans were "B" loans, that is to say, they are repayable over a period of years and are guaranteed by mortgage. These loans are from £E10 to £E500. The most popular form of loan appears to be from £E10 to £E50. Of the total number of 58,432 loans, 45,267 fell within this category.

The total amount outstanding on the 31st December, 1905, was £5,914,000, as against £4,006,000 on the 31st December, 1904.

Toward the close of last year the collections on account of interest and sinking fund were made with some difficulty in the Province of Behera and in the northern portions of Gharbieh and Dakahlieh. The difficulty arose owing to the lateness of the cotton crop. Nevertheless, out of a total collection due for the year of £E1,433,150, only £E94,633 remained uncollected at the end of December, and of this sum over £E20,000 was collected in January.

I wish, in connection with this subject, to record my opinion that Egypt has sustained a very heavy loss in the premature death of Sir Elwin Palmer, who, in various capacities, rendered most eminent services to the Egyptian Government and people. Sir Elwin Palmer, I may observe, when he occupied the post of Financial Adviser, took a leading part in the initiation of the system under which small loans are made to the Egyptian cultivators, and this at a time when comparatively few believed in the success of the measure.

^a "Egypt," No. 1 (1906), p. 35.

INDEX.

ABACA. (*See* HEMP.)

ABRA, SUBPROVINCE OF. (*See* ILOCOS, SUR.)

ACCOUNTS, MUNICIPAL, audit of: 105.

AGRICULTURAL BANK:

Establishment of, recommended: 9, 50, 51, 73.

Bill, provisions of: 50, 51.

Necessity for: 9, 10, 50, 51.

Text of bill: 9.

AGRICULTURAL BANK OF EGYPT:

Report on—

Advances, reduction of size of: 649.

Advances by government: 648.

Agriculturists, government advances to: 648.

Applicability of plan to the Philippines: 666–670.

Borrowing, reasons for: 655.

Business of: 658.

Capital: 650.

Collecting bad debts, difficulty experienced: 660–662.

Collectors for: 665.

Comparison with conditions in the Philippine Islands: 669.

Competition: 662.

Concessions, provisions of: 651, 652.

Crédit Foncier Égyptien, reduction in size of advances: 649.

Cromer, Earl of—

Report of: 646.

Reports on Agricultural Bank and distribution of Egyptian land: 693–695.

Crops, greater security: 668, 669.

Directors, reports of: 680–692.

Distribution of Egyptian land, reports on: 693–695.

Establishment of: 650.

Fellaheen—

Debt of: 645–647, 656–658.

Mortgage indebtedness of: 646, 647.

Area of land mortgaged: 646.

Number of landowners: 646.

Financial—

Condition: 659.

Reports: 680–692.

Standing: 659.

Filipino farmer compared with Egyptian fellah: 667.

Government employees, services of: 664, 665.

Government guaranty: 662, 663.

Growth of: 654, 655.

Interest, rate of: 651.

Land credit: 647.

Land titles: 666.

Compared with Philippines: 668, 669.

Lands, distribution, report on: 693–695.

Loans—

Classes of: 651.

Size and number of: 653, 654.

National Bank of Egypt—

Establishment of: 649.

Loans by: 649, 650.

AGRICULTURAL BANK OF EGYPT—Continued.**Report on—Continued.**

Personnel: 663, 664.

Philippines, applicability of plan to: 666–670.

Profits: 659.

Purpose of: 650–653.

Relations with government: 663, 664.

Reports of directors: 680–692.

Security, Egyptian crops: 668, 669.

Statutes: 671–680.

Accounts, inventories, dividends, reserve funds: 677.

Concession: 679.

Directors, commissaries, auditors, meetings: 673–677.

Dissolution, liquidation, disputes: 678.

Funds, shares, bonds: 671–673.

Name of company, seat, duration, object: 671.

Stocks, market price of: 660.

Success of, factors in: 663–666.

(See also **AGRICULTURAL BANK IN THE PHILIPPINE ISLANDS.**)**AGRICULTURAL BANK IN THE PHILIPPINE ISLANDS:****Report on—**

Agricultural conditions: 488–489.

Agricultural credit in the Philippines: 489, 490, 491.

Rate of interest on loans secured by realty in provinces: 510, 511.

Australian States and New Zealand—

Abstract of agricultural banking laws: 633–636.

New South Wales agricultural bank act: 634.

New Zealand agricultural bank act: 636.

Queensland agricultural bank act: 635.

South Australian agricultural bank act: 633.

Victorian agricultural bank act: 635.

Western Australian agricultural bank act: 634.

Capital, investment of: 498.

Code of commerce—

Provisions concerning agricultural banks: 552–554.

Special rules: 554.

Cooperative agricultural credit association: 493.

Crédit Foncier of France, articles of—

Administration: 570.

Capital and shares: 570.

Division of profits: 575.

General: 569.

Land-mortgage debentures: 573–575.

Loans: 571–573.

Obligatory reserve: 575.

East Prussian Landschaft, statutes of land bank—

Audit committee: 558.

Collection of outstanding interest: 559.

Debentures: 555–557.

Enforcing of bank's orders: 558.

Officials: 557, 558.

Egyptian Agricultural Bank—

Concession of Egyptian government: 534, 535.

Extracts from Lord Cromer's reports: 526–534.

Forms used by bank: 545–551.

Instructions to borrowers: 544.

Methods and plan of operation: 542, 543.

Statutes of bank: 536–542.

Annual statement: 541.

Balance sheet: 541.

Board of directors: 538.

Commissioners: 539.

Disputes: 542.

Dissolution: 542.

Dividends: 542.

Funds, shares, and bonds: 537, 538.

AGRICULTURAL BANK IN THE PHILIPPINE ISLANDS—Continued.

Report on—Continued.

Egyptian Agricultural Bank—Continued.

Statutes of bank—Continued.

General meetings: 539, 540.

Head office: 537.

Judges: 539.

Liquidation: 542.

Name of society: 537.

Preliminary act: 536.

Reserve fund: 542.

Time of duration and object: 537.

Egyptian plan: 494, 495.

Establishment of—

Draft of bill for: 501–509.

Opinions of provincial treasurers of: 511–525.

Albay: 513.

Ambos Camarines: 513.

Antique: 514.

Bataan: 514.

Batangas: 515.

Bohol: 515.

Bulacan: 516.

Cagayan: 516, 517.

Capiz: 518.

Cavite: 518.

Ilocos Norte: 519.

Ilocos Sur: 519.

Isabela: 520.

Laguna: 520.

Mindoro: 521.

Misamis: 521.

Romblon: 521.

Oriental Negros: 522.

Pampanga: 522.

Pangasinan: 523.

Rizal: 523.

Samar: 524.

Surigao: 524.

Tarlac: 524.

Tayabas: 524.

Zambales: 524.

Expense to government: 496, 497.

French law relating to societies for grant of land credit—

Debentures issued by land banks: 565.

General: 568.

Land credit societies (land bank): 564.

Loans made by land bank: 564.

Privileges granted for safety and recovery of loans: 565.

Rights and modes of execution against borrowers: 566–568.

Government agricultural bank: 491, 492.

Guaranty: 496, 497.

Hungarian Boden-Kredit Institut, laws and regulations—

Authorities (organ) of the bank: 580.

Business of bank: 581.

Condition of mortgage loans: 581.

Land mortgage debentures: 582, 583.

Members: 579.

Miscellaneous: 584–586.

Object: 579.

Reserve: 583.

Rights of debenture holders: 583.

Interest—

Rate in provinces: 510, 511.

Rate of: 489, 499.

Land titles, confused condition of: 498.

AGRICULTURAL BANK IN THE PHILIPPINE ISLANDS—Continued.

Report on—Continued.

Madras presidency—

Draft of bill submitted on agricultural or land banks: 602–632.

Agricultural associations: 630, 631.

Credit: 630.

Description and objects: 630.

Privileges: 631.

Scope: 630.

Supervision: 631.

Cooperative societies: 624–629.

Description: 624.

Liability: 624, 625.

Members: 625–627.

Privileges: 627–629.

Shares: 625.

General: 602–604.

Articles of association: 603.

Inability to hold land: 603.

Joint stock banks limited by shares: 604–624.

Debentures: 607, 608.

Deposits: 607.

Dividends: 605.

Loans: 611–612.

Minimum share capital: 605.

Profits: 605.

Public reserve: 606.

Reserve fund: 606.

Share capital: 604.

State charges: 607.

Land improvement banks: 631–632.

Loans: 631, 632.

Objects: 631.

Management and administration: 612–624.

Arbitration in case of prior debt: 619.

Audit: 615.

Committee of supervision: 614.

Debentures: 620.

Directors: 612–614.

Distraint: 616, 617.

General meetings: 615.

Inspections: 615.

Land improvement loans: 618.

Privileges: 615, 616.

Privileges allowable: 618.

Purge: 618.

Subventions: 620.

Supervision: 621–624.

Misuse of money by borrowers: 496.

Mortgage bank of Canton Berne, Switzerland—

Law relating to: 598–601.

Mortgage banks—

Establishment recommended: 637–641.

Need of: 637, 638.

Restrictions upon: 639.

Mortgage loans by commercial banks: 640.

Needs of: 487–490.

New West Prussian Landschaft, statutes of land banks—

Funds and their management: 561.

Loans: 560.

Management of bank: 562.

Plan proposed for the Philippines: 495, 496.

Objections to: 496.

Real credit in Italy—

Extracts from laws and regulations: 587–597.

Rules of business: 592–594.

Authorization: 592.

AGRICULTURAL BANK IN THE PHILIPPINE ISLANDS—Continued.

Report on—Continued.

Real credit in Italy—Continued.

Extracts from laws and regulations—Continued.

Rules of business—Continued.

Business: 592.

Government supervision: 594.

Issue of debentures: 593.

Repayment of debentures: 594.

Reserve fund: 594.

Treasurers, provincial and municipal—

Collections by: 498.

Services of: 498.

Types of: 490.

(See also AGRICULTURAL BANK OF EGYPT.)

AGRICULTURAL CONDITIONS: 42-44, 84, 150-153.

AGRICULTURAL MACHINERY, purchase of: 44.

AGUINALDO, GEN. EMILIO, lease of land by: 31.

ALBAY, PROVINCE OF:

Agricultural conditions: 157-159.

Bicols, characteristics of: 176.

Births: 164.

Blind, number of: 164.

Bridges, construction of: 171.

Camp Daraga, permanent post recommended at: 173.

Catanduanes—

Area: 175.

Commerce: 175.

Cost of living: 174.

Financial condition: 174.

Hemp production: 174.

Homesteads: 173, 174.

Roads: 174.

Schools: 174.

Coal deposits: 172.

Cockpits, licensing and management of: 177.

Commerce: 159.

Cost of living: 160.

Deaths: 164.

Economics: 160.

Education: 175, 176.

Elections: 165-167.

Finances: 161-163.

Forests: 172.

Governor, report of: 157-178.

Health and sanitation: 164.

Hemp—

Production: 157, 158.

Since 1861: 157.

Value of: 158.

Weighing of: 161.

Insane, number of: 164.

Land, valuation of: 173.

Land tax: 173.

Legaspi, recommendation to establish port of entry at: 159, 160.

Lepers—

Colony for: 164, 165.

Number of: 164.

Municipalities, fusion of: 175.

Natural resources: 172.

Peace and order: 172-173.

Political conditions: 165-167.

Public buildings: 167, 169.

Public works: 169-172.

Rice, transportation of: 160.

Roads and bridges: 169-172.

Schools: 176.

ALBAY, PROVINCE OF—Continued.

Sugar crops: 158.

Tobacco crop: 158.

Water supply: 165.

ALBERT, DR. JOSE, mentioned: 60.**ALCOHOLIC PRODUCTS, consumption of: 49.****ALEMANY, JOSÉ E., acting director of civil service, report of: 89-95.****ALI, DATTO. (See DATTO ALI.)****ALLEN, GENERAL, mentioned: 30, 34.****ALUMINUM, deposits of: 337.****AMBOS CAMARINES, PROVINCE OF:**

Agricultural conditions: 178.

Births: 180.

Blind, number of: 180.

Cattle, deaths among: 180.

Commerce of: 178, 179.

Deaths: 180.

Economics: 179.

Factories and industries: 179.

Financial statement: 181.

Forests—

Classes of woods: 181.

Extent of: 181.

Governor, report of: 178-182.

Health and sanitation: 179, 180.

Hemp, production of: 179.

Insane, number of: 180.

Jail, report of: 181.

Lepers, number of: 180.

Mineral resources: 181.

Political conditions: 181, 182.

Rice exported: 179.

Vaccination: 180.

AMERICAN CAPITAL:

Lack of: 65.

Opportunities for: 65, 66.

AMERICANS, transportation of vagrant and destitute: 110.**ANGCO, FELIX, governor Ilocos Sur Province, report of: 275-278.****ANGELES, MARCOS (outlaw), surrender of: 425.****ANIMALS:**

Condition of: 351.

Death of: 473.

Deficiency of: 275.

Diseases of: 214, 224.

ANTIQUE, PROVINCE OF:

Agricultural banks, need of: 183, 184.

Agricultural conditions: 183.

Economics: 184.

Education: 184-186.

Expenses: 182.

Financial condition: 184.

Fish industry: 184.

Forest conditions: 186.

Gambling: 188.

Health conditions: 189.

Hemp production: 183, 184.

Maguey, cultivation of: 183.

Mineral resources—

Chalk: 186.

Coal: 186.

Gold: 186, 187.

Marble: 186.

Platinum: 186.

Silver: 186, 187.

Sulphur: 186.

Natural resources: 186.

Non-Christian tribes, progress of: 187.

ANTIQUE, PROVINCE OF—Continued.

Personnel: 182.

Political conditions: 188.

Rice crop: 183.

Roads and bridges, repair of: 188, 189.

Sanitary conditions: 189.

Sugar, crop and price of: 183.

Vegetables, cultivation of: 183.

AÑOGAR, ANTONIO (outlaw), death of: 440.**APONG, IPE** (outlaw), operations of: 391.**APPOINTMENTS**, methods of making: 107.**ARCHIVES, PATENTS, COPYRIGHTS, AND TRADE-MARKS, DIVISION OF**, work of: 122, 123.**ARNEDO, M.**, governor of Pampanga Province, report of: 411-414.**ARTACHO, ISABELO**, governor of Pangasinan Province, report of: 415-422.**ASBESTOS DEPOSITS**: 272.**ASSEMBLY:**

Date of convocation: 153.

Delegates, election of: 153.

ASSESSMENTS. (See **REAL ESTATE.**)**BACAY** (outlaw), death of: 425.**BAGUIO:**

Barracks and quarters, construction of: 55.

Lots, sale of: 55.

Residences and public buildings, construction of: 55.

Temperature at: 55.

BAKER, COLONEL, mentioned: 34.**BALAN, PABLO** (outlaw), mentioned: 440.**BANDHOLTZ, COL. H. H.**, mentioned: 30, 34, 112.**BANDITS:**

Capture of: 30.

Trial of: 31.

BANKS:Agricultural. (See **AGRICULTURAL BANKS.**)Postal, (See **POSTAL SAVINGS BANK.**)

Provincial: 240.

BANLUGA (non-Christian tribe), habitat of: 223.**BATAAN, PROVINCE OF:**

Agricultural conditions: 190.

Alcohol distillation: 191.

Commerce, products of: 190.

Economics, 190, 191.

Education: 191.

Financial conditions: 191.

Governor, report of: 190-192.

Industrial conditions: 191.

Manufactures: 191.

Non-Christian tribes, characteristics of: 192.

Peace and order: 190.

Political conditions: 192.

Sanitary conditions: 192.

Sugar manufacturing: 191.

Timber: 192.

BATAN COAL CLAIMS, purchase of: 4.**BATANES ISLANDS:**

Agriculture: 215.

Finance: 215.

Health: 215.

Peace and order: 215.

Political conditions: 215.

Trade conditions: 215.

BATANGAS, PROVINCE OF:

Agricultural conditions: 193.

Coffee cultivation: 193.

Economic conditions: 194.

Education: 196.

Garlic, production of: 193.

Governor, report of: 193-197.

BATANGAS, PROVINCE OF—Continued.

Health conditions: 196, 197.
 Hemp cultivation, 193.
 Hog raising: 194.
 Industries: 194.
 Mining claims: 195.
 Oranges, growth of: 193.
 Peace and order, conditions of: 30, 31.
 Political conditions: 195, 196.
 Rice production: 193.
 Roads and communications: 194.
 Sanitation: 196, 197.
 Sugar crop: 193.
 Textiles, weaving of: 194.

BAYONES:

Price of: 217.
 Production of: 218, 219.
 Sales: 217.

BEER, SPIRITS, WINES, importation of: 16, 17.**BENGUET, PROVINCE OF:**

Agricultural conditions: 198.
 Baguio, lots sold: 197.
 Carabaos, number of: 198.
 Cattle on hand: 198.
 Coffee—
 Crops, 198.
 Ideal soil for raising: 198.
 Commercial conditions: 198.
 Copper deposits: 198.
 Education: 200, 201.
 Financial condition: 199.
 Forests: 200.
 Governor, report of: 197–201.
 Health and sanitation: 201.
 Horses, number in province: 198.
 Land under cultivation: 198.
 Manufactures: 198.
 Mining: 199, 200.
 Claims: 199.
 Copper: 200.
 Equipment: 199.
 Gold—
 Deposits: 199, 200.
 Value of ore: 199, 200.
 Lead: 200.
 Mills, operation of: 199, 200.
 Potato crop: 198.
 Sawmills: 200.
 Vegetables: 198.
 Camote: 198.
 Gabe: 198.
 Rice: 198.

BENGUET CONSOLIDATED MINING COMPANY, capital and work of: 199.**BENGUET ROAD, condition of: 54, 55.****BENNETT, GEORGE, mentioned: 347.****BICOLS, characteristics of: 176.****BLIND, number of: 164, 180.****BLISS, BRIG. GEN. TASKER H., governor of Moro Province:**

Mentioned: 38, 85.
 Report of: 358–386.

BOHOL, PROVINCE OF:

Agricultural conditions: 205, 206.
 Commerce: 206.
 Education: 202–204.
 Attendance: 203.
 Schools erected: 203, 204.
 Financial condition: 206.

BOHOL, PROVINCE OF—Continued.

Fish industry: 206.

Governor—

Recommendations: 206, 207.

Report of: 201-207.

Health conditions: 204.

Industries: 206.

Land tax, sales for delinquent payments of: 202.

Locusts, destruction of: 205, 206.

Police, reorganization of: 202.

Political conditions: 201, 202.

Rice, distribution of: 203.

Rinderpest, destruction by: 205.

Sanitary conditions: 204.

Textiles, manufacture of: 206.

BOLTON, LIEUT. E. C.:

Death of: 39, 86, 383.

Mentioned: 343.

Resolutions concerning: 383.

BONDED INDEBTEDNESS, amount of: 48.**BORJA, SALUSTIANO, governor of Bohol Province, report of: 201-207.****BORSETH, CAPT. PETER, mentioned: 36, 37.****BOYD, MAJ. CHARLES T., Philippine scouts, mentioned: 343, 386.****BRENT, RIGHT REV. CHARLES H., mentioned: 60.****BRICKYARDS: 329.****BRIDGES. (See ROADS AND BRIDGES.)****BROWNE, J. M., mentioned: 386.****BUA MINING COMPANY, capital of: 199.****BUCHANAN, BRIG. GEN. JAMES A., mentioned: 343.****BUILDING STONE, deposits of: 223.****BULACAN, PROVINCE of:**

Agricultural conditions: 208.

Commerce: 209.

Education: 208, 209, 211.

Industrial work: 211.

Salaries: 211.

Teachers: 211, 212.

Factories: 209.

Financial conditions: 210, 212.

Governor—

Recommendations: 210-211.

Report of: 207-212.

Industries: 209.

Mineral resources: 209.

Non-Christian tribes: 210.

Peace and order: 207.

Political conditions: 207.

Public works: 210.

Expenditures on: 212.

Rice-cleaning machines: 209.

Sanitation and health: 209.

Silk textiles, manufacture of: 209.

Sugar production: 208.

BURAUEN, outbreak at: 37.**CABLEGRAMS:**

Code, use of: 109.

Cost, to whom charged: 109.

CACAO, cultivation and production of: 152, 278, 329, 416, 463.**CACIQUISM, condition of: 143, 461, 478.****CAGAYAN, PROVINCE OF:**

Agricultural conditions: 213.

Animals, diseases of: 214.

Batanes Islands—

Agriculture: 215.

Finance: 215.

Health: 215.

Peace and order: 215.

CAGAYAN, PROVINCE OF—Continued.**Batanes Islands—Continued.**

Political conditions: 215.

Trade conditions: 215.

Commerce: 213.

Distilleries: 213.

Education: 214.

Financial condition: 214.

Governor, report of: 212-215.

Health and sanitation: 214.

Highways and communication: 214.

Political conditions: 212.

Tobacco industry: 213.

CAGAYAN DE SULU, ISLAND OF, conditions on: 353.**CAILLES, JUAN, governor of La Laguna Province, Report of: 304-310.****CAMERON, C. R., mentioned: 346, 373.****CAMOTES, Cultivation and production of: 198.****CAMP DARAGA, permanent post recommended at: 173.****CAMP KEITHLEY, settlement of: 353.****CAPIZ, PROVINCE OF:**

Agricultural bank recommended: 216.

Agriculture: 215, 216.

Bayones—

Price of: 217.

Production of: 218, 219.

Resolution concerning: 218, 219.

Sales: 217.

Births: 221.

Carabaos, trade in: 221.

Cocoanuts: 216.

Commerce, conditions of: 216.

Copra—

Exported: 216.

Price of: 216.

Purchases: 217.

Sales: 217.

Courts: 221.

Deaths, number of: 221.

Economics: 217.

Education: 218.

Elections: 221.

Factories: 220.

Financial condition: 217, 218.

Forestry products: 220.

Governor, report of: 215-222.

Hats, manufacture of: 219.

Health and sanitation: 221.

Hemp—

Cultivation of: 216.

Sales: 217.

Industrial condition: 218, 219.

Natural resources: 220.

Non-Christian tribes—

Characteristics: 220.

Condition of: 220.

Industries: 220.

Opium purchases: 217.

Petition relative to sale of Islands to Japan: 221.

Police, arms carried by: 221.

Political conditions: 220, 221.

Rice—

Exportation of: 216.

Hulling: 219.

Price of: 216.

Production: 215.

Purchases: 217.

Sales: 217.

School buildings: 218.

CAPIZ, PROVINCE OF—Continued.

Sugar—

Crops: 216.

Exported: 216.

Purchases: 217.

Sales: 217.

Tobacco—

Purchases: 217.

Sales: 217.

CARABAOS:

Deaths of: 224.

Number of: 198.

Trade in: 221.

CARPENTERS, wages of: 335.

CARREÓN (outlaw), capture of: 30, 425.

CARSON, HON. ADAM C., mentioned: 112.

CARTER, MAJ. EDWARD C., mentioned: 60.

CATANDUANES, ISLAND OF:

Area: 175.

Commerce: 175.

Conditions on: 173-175.

Cost of living: 174.

Financial condition: 174.

Hemp exported: 175.

Hemp production: 174.

Homesteads: 173, 174.

Roads: 174.

Schools: 174.

CATTLE:

Brands, registration of: 123, 124.

Condition of: 198, 464.

Deaths: 180.

Diseases of: 180.

Exports: 279.

Lack of: 398.

Raising: 152, 217, 389.

CAVITE, PROVINCE OF:

Abaca, cultivation of: 222.

Agricultural conditions: 222.

Animals, diseases of: 224.

Building stone: 223.

Carabaos, death of: 224.

Chalk mines: 222.

Cockpits: 232.

Coffee crops: 222.

Commerce: 222.

Deaths, number of: 224.

Economics: 222.

Financial conditions: 224.

Fish industry: 223.

Gambling: 232.

Governor, report of: 222-232.

Health and sanitation: 224.

Independence desired: 222, 223.

Industries: 223.

Internal-revenue collections: 234.

Irrigation system, report on: 229, 230.

Ladronism: 224, 225.

Manufactures: 223.

Natural resources: 223.

Naval station, number of employees: 223.

Wages: 223.

Non-Christian tribes: 223.

Peace and order, conditions of: 30, 31.

Police—

Insular, condition of: 231, 232.

Municipal, condition of: 230, 231.

Reorganization recommended: 230, 231.

CAVITE, PROVINCE OF—Continued.

Political conditions: 222.
Rice, cultivation of: 222.
Rinderpest, deaths by: 224.
Salt industry: 223.
Schools—
 Barrios and population: 227.
 Districts: 227.
 Financial condition: 227.
 Night schools: 228.
 Number of: 225.
 Pupils enrolled: 226.
 Report on: 225–229.
 Teachers, number of: 226.

Shipyards, employees: 223.

Sugar, cultivation of: 222.

CEBU, PROVINCE OF:

Agricultural conditions: 239.
Banks: 240.
Births, number of: 253.
Bridges, construction of: 244.
Buildings, construction and repair of: 244.
Cebu, city of—
 Improvements: 244, 245.
 Streets: 244, 245.
Coal claims: 241.
Coal mines: 241.
Commerce: 239, 240.
Communications: 238.
Convention of presidentes and municipal officials: 249–253.
 Recommendations: 249–251.
Courts, condition of: 246, 247.
Education: 242, 243.
Elections: 235.
Financial conditions: 239–242.
Governor—
 Report of: 232–268.
 Visit through province: 248–253.
 Result of: 248–253.
Health, board of, report of: 253, 254.
Health and sanitation: 246.
Hemp market: 240.
Industries: 239, 240.
Ladronism—
 Campaign against: 250–253.
 Report on: 248–253.
Loans to municipalities: 233.
Memorial presented to Congress and the Philippine Commission: 254–268.
 Propositions: 256–268.
Mines: 241.
Municipal administration: 236.
Organization: 234.
Organization of provincial government: 248.
Outlaws, reward for: 250.
Peace and order: 237.
Police: 238.
Political conditions: 247.
Provincial board, administration of: 233.
Provincial jail, condition of: 234.
Public improvements: 244.
Rice, cultivation of: 240.
Roads, construction of: 239, 244.
School buildings, construction of: 242, 243.
Secretary of War, visit of: 246.
Shipyards, construction of: 240.
Teachers, salaries of: 243.

- CEBU, PROVINCE OF—Continued.
 - Tobacco crop: 239.
 - Treasurer, comments on: 235.
 - Wharf, construction of: 240.
- CEBU HARBOR, harbor improvements modified: 132.
- CEMENT:
 - Importation of: 16.
 - Manufacture of: 422.
- CENSUS, PHILIPPINE, distribution of: 108.
- CERTIFICATES, SILVER:
 - Denomination and value of: 11.
 - Shipments: 11.
 - Cost of: 11.
- CERTIFICATES OF INDEBTEDNESS:
 - Amount in circulation: 46.
 - Sales of: 46, 47.
- CERVANTES (outlaw), death of: 425.
- CHALK DEPOSITS: 186, 223, 282, 405, 432.
- CHINA AND PORCELAIN, manufacture of: 423.
- CHINESE TOBACCO LAW: 364, 365.
- CHURCH PROPERTIES, controversies over: 58.
- CIGARETTES:
 - Amount exported: 49.
 - Consumption of: 49.
 - Factories: 389, 466.
- CIGARS:
 - Exports: 64.
 - Exports to the United States: 63.
- CINNABAR MINES: 482.
- CITIZENSHIP, recommendations: 357.
- CIVIL PROCEDURE, code of: 133.
- CIVIL SERVICE:
 - Accrued leave, change in, recommended: 78, 79.
 - Appointments: 20, 78.
 - Bureau, Report of: 89–95.
 - Appointments: 90–91.
 - Decrease in number of: 91.
 - Made in the United States: 91.
 - Classified service, changes in extent of: 94–95.
 - Examinations—
 - Decrease in number taking, causes of: 90.
 - For teachers: 90.
 - Statistical information regarding: 90.
 - Federal service, appointment to: 91.
 - Leave of absence, accrued: 93.
 - Morally unfit, exclusion of the: 93.
 - Office hours: 93.
 - Officers, how appointed: 89.
 - Organization, changes in: 89.
 - Personnel and salaries: 89.
 - Recommendations: 94–95.
 - Reduction in force: 91.
 - Separation from service on account of reduction in force: 91.
 - Suspension without pay: 92.
 - Changes recommended: 100.
 - Condition of: 356.
 - Difficulty in securing list of eligibles: 19.
 - Employees—
 - Resignations, reasons for: 78, 98–100.
 - Transportation of: 20, 111.
 - Examinations: 77.
 - Applicants: 77, 78.
 - Instability, reasons for: 98–100.
 - Transportation of employees, provisions for: 20.
 - Vacancies: 20.
- CLAY DEPOSITS: 466.

COAL:

Claims—

Batan, purchase of: 4.

Development: 72, 241.

Deposits: 172, 186, 282, 337, 405, 454.

Mines: 241, 405, 454, 466, 482.

COAST AND GEODETIC SURVEY, administration of: 71, 72, 73.

COASTWISE LAWS, application of United States laws postponed: 3.

COCOANUT:

Cultivation and production of: 152, 216, 304, 350, 416, 431, 463, 476.

Oil—

Factories: 309.

Manufacture of: 308.

Price of: 308.

Value of: 308.

Plantations of: 334.

COCKPITS:

Conduct of: 232.

Licensing and management of: 177.

Tax on: 450.

CODES:

Cable, use of: 109.

Penal, enactment of: 133.

COFFEE, cultivation and production of: 152, 193, 198, 222, 317, 329.

COINAGE. (See CURRENCY.)

COLTON, COL. GEORGE R., mentioned: 25.

COLORUM, characteristics of: 461.

COMMERCE:

Imports: 15–17.

Amount of: 15.

Comparative statement: 15.

Countries: 15.

Products: 16, 17.

Ocean-carrying trade: 14.

Nationality of vessels engaged in: 14, 15.

Suspension of coastwise laws: 15.

Statistics: 15.

COMMERCIAL BANKS, mortgage loans by: 640.

CONANT, CHARLES A., comments and recommendations on establishment of mortgage banks: 637–639.

CONNOR, JR., WILLIAM M., mentioned: 348.

CONSTABULARY:

Arms for: 35, 36.

Number of: 34.

Pulahanes, operations against: 34–36.

Number of pulahanes and constabulary killed and wounded: 35.

Relations with native governors and officials: 33, 34.

Value of: 34.

CONSULAR CORPS:

Changes in: 154.

List of: 483.

COPPER DEPOSITS: 198, 200, 318, 338, 389, 454.

COPRA:

Exported: 17, 216, 432.

Price of: 216, 330.

Production: 328, 329, 407, 408, 446, 463, 476.

Purchases: 217.

Sales: 217.

Value of: 304, 305.

CORN:

Crop: 275, 286, 304, 329, 334, 407, 408, 437, 452.

Price of: 304.

CORPORATIONS:

Names of: 125.

Registration of: 125.

CORWINE, R. M., mentioned: 347.

COTTON GOODS:

Importation of: 16, 17.

Manufacturing of: 290.

COURTS:

- Condition of: 57.
- Justice of the peace—
 - Appointments: 57.
 - Condition of: 57.
 - Supervision over: 57.
- Tribal ward, operation of: 369.

CROPS, condition of: 43, 44.

CUBA, REPUBLIC OF:

- Employees of Bureau on duty in Habana: 24.
- Executive order defining functions of Bureau: 24.
- Provisional government, establishment of: 24.
- Value of sugar and tobacco exported to United States: 8.

CURRENCY:

- Amendment to coinage laws: 4.
- Coinage—
 - Cost of: 12.
 - Denomination: 12.
 - Gold coin of United States used as reserve: 4.
 - Shipments to Manila: 12.
 - Statement of: 12.
 - Value of: 12.
 - Weight and fineness reduced: 4.
- Coins—
 - Basis for recoinage: 45.
 - Old and new, circulation of: 46.
- Coins or bullion, exportation prohibited: 45.
- Paper money in circulation: 46.
- Recoinage authorized: 45.
- Silver, price of: 45.
- Silver certificates—
 - Amount in circulation: 45.
 - Amount of gold coins of United States placed in vault for: 45.
 - Denominations: 45.
 - Reserve for payment of: 45.
- Spanish-Filipino—
 - Recoinage of: 12.
 - Denominations: 12.
 - Value of: 12.

CURRY, CAPT. GEORGE, governor of province of Samar:

- Mentioned: 34–36.
- Report of: 434–443.

CUSTOMS, Moro Province: 347, 358, 363.

CUSTOMS RECEIPTS, reduction, cause of: 44.

DAGONOB, ENRIQUE (outlaw), death of: 440.

DANCEL, A., governor of Rizal Province, report of: 422–431.

DATTO ALI:

- Death of: 38, 86.
- Mentioned: 343, 382.

DAVIS, D. THOMAS H., mentioned: 386.

DAZA, EUGENIO (outlaw), negotiations with: 435.

DELEGATES, proportion of: 153.

DEPOSITARIES OF PHILIPPINE FUNDS:

- Banks and corporations acting as: 11.
- Deposits with banks in the United States, amount of: 11.

DESTITUTE AMERICANS, transportation of: 110.

DEVORE, CAPT. D. V., Twenty-third Infantry, mentioned: 386.

DINGLEY TARIFF:

- Amendment recommended as to Philippine products: 7, 62–65.
- Bill as passed House of Representatives: 9–10.
- Vote: 8.

DISBURSEMENT OF PHILIPPINE FUNDS IN THE UNITED STATES:

- Amount of: 14.
- Comparative statement: 14.
- Inspections: 14.

DISTILLERIES:

- Number of: 213, 309, 466.
- Spirits, value of sales of: 309.

DOCUMENTS, distribution of: 109.

- DOMINICAN REPUBLIC, employees of insular bureau on duty in: 25.
DUNLEAVY, F. J., mentioned: 386.
DUTIES. (See **TARIFF**.)
DYE PLANTS AND WOODS: 282, 337, 465.
EDUCATION, progress made in provinces: 150.
EGYPTIAN AGRICULTURAL BANK. (See **AGRICULTURAL BANKS**.)
ELECTIONS:
 Law, provisions of: 153.
 Municipal: 40, 41, 116-120.
 Result of: 80.
 When held: 80.
 Provincial: 41.
 Result of: 81.
 When held: 81.
ELIOT, RAFAEL, governor of Surigao Province, report of: 452-455.
EXECUTIVE BUREAU:
 Administration and finance division: 133.
 Changes in: 79.
 Legislative division, work of: 135.
 Personnel: 97.
 Records division, work of: 136, 137.
 Reorganization: 97.
 Report of: 97-157.
 Translating division, work of: 134.
EXECUTIVE CLEMENCY:
 Applications for: 41, 42, 80.
 Committee to examine records of prisoners: 42, 80.
EXECUTIVE SECRETARY. (See **EXECUTIVE BUREAU**.)
EXPENDITURES. (See **RECEIPTS AND EXPENDITURES**.)
EXPORTS:
 Products: 17, 18.
 Refund of duties on: 68.
 Amount of: 68.
 Repeal recommended: 68, 73.
 Statistics of: 17, 18.
 To all countries: 17.
 To the United States: 17.
 Value of: 44.
EXTRADITIONS, number of: 115.
FACTORIES: 179, 209, 220, 290, 308, 337, 389, 432, 454, 457, 482.
FAIRS, MORO PROVINCE: 380.
FELIZARDO, CORNELIO (outlaw), death of: 30, 224, 225, 425.
FELLAHEEN. (See **AGRICULTURAL BANK OF EGYPT**.)
FILIPINO, compared with Egyptian fellah: 667.
FILIPINO STUDENTS IN THE UNITED STATES:
 Distribution of: 20, 21.
 Health of: 21.
 List of schools attended by: 20, 21.
 Number of: 20.
 Scholarships: 21.
 Transportation of: 111.
 Vacation period, how spent: 21.
FINANCIAL CONDITIONS, receipts and expenditures: 47.
FINLEY, CAPT. JOHN P., mentioned: 381.
FIREARMS:
 Number captured: 30.
 Permits issued: 109, 110.
FISH INDUSTRY: 184, 206, 223, 281, 422, 423.
FLOR, MELCHOR, governor of the province of Pocos Norte, report of: 268-274.
FLOUR, exportation of: 16, 17.
FORESTS: 272, 301, 368, 369, 389, 432, 446, 447, 454, 457.
 Conditions: 172-181, 186, 198, 220.
 Products: 276, 279, 282, 465.
 Tree species: 272.
FRIAR LANDS:
 Acres purchased: 58.
 Administration of: 59.

FRIAR LANDS—Continued.

Bonds for purchase of: 48.

Disbursements for purchase of: 19.

GABALDON, ISAURO, governor of province of Neuva Ecija, report of: 386-392.

GABE, cultivation and production of: 198.

GARD, ALLEN, mentioned: 386.

GARLIC, production of: 193.

GAZETTE, OFFICIAL, publication and cost of: 136.

GAZETTEER OF PHILIPPINE ISLANDS:

Publication of recommended: 22.

Revised edition, completion of: 22.

GOLD:

Coins, United States—

Reserve for payment of silver certificates: 45.

Amount placed in vaults: 45.

Deposits: 186, 187, 199, 200, 282, 337, 338, 389.

Mines: 454, 482.

Value of ore: 199, 200.

GOMEZ, DR. DOMINADOR, negotiations to capture bandits: 30.

GOVERNOR-GENERAL:

Appointments made by: 108.

Changes in office of: 83.

Report of: 75-96.

GOVERNORS, PROVINCIAL:

Elections for: 81.

Reports of: 83-88, 157-483.

GOVERNMENT:

Municipal—

Condition of affairs relative to: 138-141.

Provincial—

Changes in administrative control: 101.

Condition of affairs relative to: 138-141.

GRIFFITH, MAJ. E. W., Philippines constabulary, mentioned: 342, 386.

GUMS AND RESINS, production of: 282, 301, 337, 409, 465, 482.

GUTTA-PERCHA, production of: 369.

GUZMAN, PABLO, governor of Cagayan Province, report of: 212-215.

HABANA, ANTONIO, governor of Capiz Province, report of: 215-222.

HAMILTON, L. P., mentioned: 386.

HARBORD, CAPT. JAMES G., mentioned: 349.

HARDEMAN, CAPT. THOMAS, death of: 153.

HATS, manufacture of: 219, 422, 465.

HEADMEN, list of: 370-372.

HEALTH, conditions as to: 84, 149.

HEIDELBACH & Co., mentioned: 52.

HEMP:

Cultivation and production of: 84, 151, 157, 158, 174, 179, 183, 184, 193, 216, 222, 240, 304, 328, 333, 334, 350, 384, 407, 408, 431, 437, 446, 462.

Destruction of crops: 44.

Exportation of: 22, 44.

Value of: 452.

Industry, condition of: 43.

Presses, operation of: 329.

Price of: 151, 304, 330, 407, 432, 446.

Production since 1861: 157.

Receipts at Albay, Manila, Cebu: 157.

Soils: 343.

Stripping machine: 452.

Value of: 158, 217.

Varieties: 337.

Weighing of: 161.

HOG RAISING: 194.

HOMESTEADS: 301, 302.

HORSES: 198.

ICE FACTORY: 466.

IDE, HENRY C.:

Appointment as governor-general: 83.

Report of: 75-88.

IGOROTS, number of: 396.

ILOCOS NORTE, PROVINCE OF:

Administration: 268.

Agricultural conditions: 269, 270.

Agricultural implements, lack of: 270.

Asbestos deposits: 272.

Births, number of: 274.

Commerce: 270.

Deaths, number of: 274.

Economics: 270.

Education: 271.

Elections: 274.

Financial conditions: 270.

Forests: 272.

Tree species: 272.

Governor, report of: 268-274.

Health conditions: 273, 274.

Homesteads: 269.

Industries: 272.

Maguey cultivation: 269.

Mica mines: 272.

Mines: 272.

Non-Christian tribes—

Characteristics and customs: 273.

Condition of: 272, 273.

Names and number of: 272.

Peace and order: 268.

Political conditions: 274.

Quartz deposits: 272.

Rice crop: 270.

Rinderpest, prevalence of: 274.

Schools: 269, 271.

Teachers, number of: 271.

Tobacco crop and exports: 270.

Vegetables: 270.

ILOCOS SUR, PROVINCE OF:

Abra, subprovince of Ilocos Sur—

Agriculture: 278, 279.

Births: 284.

Cacao, production of: 278.

Cattle exports: 279.

Chalk deposits: 282.

Coal deposits: 282.

Commerce, condition of: 279.

Corn—

Crop: 278.

Exports: 279.

Criminality: 284.

Deaths, number of: 284.

Dye plants: 282.

Economics: 280.

Education: 281.

Exports—

Local industries: 279.

Products of soil: 279.

Financial condition: 280-281.

Fishing industry: 281.

Forest products, exports: 279.

Forests, woods: 282.

Gold deposits: 282.

Health and sanitation: 284.

Hunting: 281.

Imports—

Merchandise sold in—

American and Filipino stores: 279.

Chinese stores: 279.

Industries: 281.

ILOCOS SUR, PROVINCE OF—Continued.**Abra, subprovince of Ilocos Sur—Continued.**

Lieutenant-governor, report of: 278–285.

Manufactures: 281.

Marriages: 284.

Medicinal plants: 282.

Minerals: 282.

Municipal police: 284.

Natural resources: 282.

Non-Christian tribes—

Agricultural pursuits: 283

Number of: 282, 283.

Schools for: 283.

Attendance: 283.

Settlements: 282, 283.

Organization: 283.

Palms: 282.

Peace and order: 283.

Political conditions: 283.

Public works: 285.

Resins: 282.

Rice—

Crop: 279.

Reports: 279.

Roads and bridges: 285.

Schools: 281.

Attendance: 281.

Smallpox, prevalence of: 284.

Sugar—

Exports: 279.

Production: 278.

Teachers: 281.

Textile—

Industry: 281.

Plants: 282.

Thermal waters: 282.

Tobacco—

Crop: 278.

Exports: 279.

Production: 280.

Agricultural conditions: 275.

Animals, deficiency of: 275.

Births: 277.

Cattle diseases: 275.

Commerce: 275.

Corn crop: 275.

Courts, condition of: 277.

Deaths: 277.

Economics: 275.

Education: 276.

Financial conditions: 275.

Forest products: 276.

Governor, report of: 275–278.

Health and sanitation: 277.

Industries: 276.

Insane, number of: 278.

Lepers, number of: 278.

Manufactures: 276.

Marriages: 277.

Natural resources: 276.

Non-Christian tribes—

Number of: 277.

Settlements of: 277.

Peace and order: 277.

Political conditions: 277.

Public works: 278.

Rice crops: 275.

ILOCOS SUR, PROVINCE OF—Continued.

Roads and bridges: 278.

Schools: 276.

Attendance: 276.

Buildings: 278.

Smallpox, cases of: 277.

ILOILO, PROVINCE OF:

Agricultural conditions: 285, 286.

Births: 292.

Commerce: 287, 288.

Corn production: 286.

Cotton cloth: 290.

Deaths: 292.

Economics: 289.

Education: 289.

Exports: 288.

Factories: 290.

Financial condition: 289.

Governor, report of: 285-293.

Health and sanitation: 292.

Imports: 287.

Industries: 290.

Non-Christian tribes, condition of: 290.

Peace and order: 291.

Political conditions: 290, 291.

Public works: 291.

Rice—

Crop: 285.

Importation: 287, 288.

Roads and bridges: 291, 292.

Schools: 289.

Sibucan: 286.

Sugar—

Crop: 286.

Exportation: 287.

Importation: 287, 288.

Teachers: 289.

Tobacco—

Exportation: 288.

Production: 286.

IMMIGRANTS, homesteads established by: 387.**IMMIGRATION: 350, 351.****IMPLEMENTS, AGRICULTURAL, importation of: 16, 17.****IMPORTS, value of: 44.****INDEX TO LIBRARY OF INSULAR DOCUMENTS, printing of, recommended: 24.****INDUSTRIAL CONDITIONS: 42-44.****INSANE, number of: 164, 180, 278.****INSULAR AFFAIRS, BUREAU OF:**

Chief of, change in rank: 24.

Correspondence and records: 21, 22.

Employees on duty in Cuba and Santo Domingo: 24, 25.

Functions of, in connection with provisional government of Cuba: 24.

Personnel: 25.

Transportation to Manila, arrangements made by: 20.

INSULAR DOCUMENTS, LIBRARY OF:

Increase in: 24.

Index to: 24.

Printing of, recommended: 24.

INSURGENT RECORDS:

Printing of: 19.

Translation and preparation of: 19.

INSTRUMENTS AND APPARATUS, scientific, importation of: 16, 17.**INTERISLAND SHIPPING, condition of: 55, 56.****INTERNAL REVENUE:**

Collections—

Amount of: 48.

Cost of: 48.

Distribution of: 49.

INTERNAL REVENUE—Continued.**Law—**

Modification of: 48.

Value of: 48, 49.

INTERNATIONAL BANKING CORPORATION, mentioned: 52.**INVOICES**, authentication of: 4.**IRON DEPOSITS**: 337, 389.**IRON MATERIALS**, importation of: 16.**IRRIGATION**: 473.

Report on system of: 229, 330.

ISABELA, PROVINCE OF:

Agriculture: 300, 301.

Crimes: 300.

Education: 296.

Forestry: 301.

Governor—

Recommendations of: 303.

Report of: 293-304.

Gums: 301.

Highways of communication: 296.

Homesteads: 301, 302.

Inhabitants, composition of: 293.

Justice of the peace courts, condition of, 297.

Lands: 302.

Lumbering: 301.

Municipalities, administration and condition of: 293-294.

Santa Maria: 293.

Tagle: 294.

Non-Christian tribes—

Condition of: 302.

Number of: 293.

Settlements of: 302, 303.

Police organization: 297.

Political conditions: 298-300.

Postal service: 298.

Provincial government, condition of: 295, 296.

Schools: 296.

Storm, destruction by: 301.

Teachers: 296.

JAPAN, petition relative sale of islands to: 221.**JAPANESE**, settlement by: 344.**JERVEY, CAPT. J. P.**, Corps of Engineers, mentioned: 346, 386.**JOLO**. (See **MORO PROVINCE**.)**JONES, CAPT. RALPH**, mentioned: 441.**JUSTICES OF THE PEACE**, appointments: 107.**KAOLIN MINES**: 310.**KEMMERER, E. W.**, report on Agricultural Bank in the Philippines: 487-641.**KIGGINS, FRANK M.**, mentioned: 89.**KILLEN, FRANK W.**, mentioned: 296.**KNIGHT, LOUIS G.**, governor, Nueva Vizcaya, report of: 392-397.**KOLORUM** (religious order), growth of: 142, 225.**LADRONES**, operations against: 29-40.**LADRONISM**, condition of: 85, 224, 225, 248-253.**LAKE LANAO**. (See **MORO PROVINCE**.)**LA LAGUNA, PROVINCE OF:**

Agricultural conditions: 304.

Assessments, value of: 306.

Cocoanut crop: 304.

Cocoanut oil: 304, 308.

Factories: 309.

Manufacture of: 308.

Price of: 308.

Value of: 308.

Commerce, value of: 305.

Copra, shipments, amount and value: 304, 305.

Corn, harvested and price of: 304.

Distilled spirits—

Distilleries, number of: 309.

Value of sales of: 309.

LA LAGUNA, PROVINCE OF—Continued.

Education: 307, 308.
 Factories: 308.
 Financial conditions: 305–307.
 Governor, report of: 304–310.
 Health: 310.
 Hemp production and price of: 304.
 Kaolin mines: 310.
 Mines: 310.
 Mining claims: 310.
 Palay crop: 304.
 Political conditions: 310.
 Rice crop and price of: 304.
 Road and bridge fund: 307.
 Schools: 308.
 Taxes: 306, 307.
 Teachers: 308.
 Tobacco—
 Factories, number of: 309.
 Value of output: 309.

LAND:

Amount held for agricultural purposes: 72.
 Law, changes recommended: 72.
 Tax—
 Basis of: 50.
 Collection, suggestion as to: 104.
 Suspension of: 49, 50, 102.

LANDS:

Public, modification of legislation recommended: 69.
 Revaluation of: 50.
 Sales for taxes: 79, 104.

LANGHORNE, CAPT. G. T., mentioned: 348.**LA UNION, PROVINCE OF:**

Agricultural conditions: 475.
 Caciquism: 478.
 Cocoanuts: 476.
 Commerce: 476.
 Copra, price of: 476.
 Education: 477.
 Financial condition: 478.
 Health and sanitation: 478.
 Industries: 476.
 Governor, report of: 475–478.
 Maguey: 476.
 Price of: 476.
 Non-Christian tribes—
 Population: 477.
 Settlements: 477.
 Pineapples: 476.
 Political conditions: 477.
 Public works: 475.
 Rice—
 Crop: 476.
 Price of: 476.
 Roads and bridges: 475.
 Schools—
 Attendance: 477.
 Cost of: 477.
 Teachers: 476.
 Sugar—
 Price of: 476.
 Production: 476.
 Tobacco—
 Crop: 476.
 Price of: 476.

LAW CLERK, work of: 115.**LAW OFFICER OF THE INSULAR BUREAU:**

Alaskan acts and treaties compiled by: 19.
 Work of: 19.

LAWS, acts passed by the Philippine Commission: 126-132.

LEAD DEPOSITS: 200.

LEE, MAJOR-GENERAL, mentioned: 37.

LEGISLATION ENACTED BY CONGRESS:

Batan coal claims, purchase of: 4.

Coinage laws, amendment to: 4.

Invoices, authentication of: 4.

Nautical school, loan of naval vessel to: 4.

Shipping regulations, postponement of laws of United States: 3.

LEGISLATION NEEDED:

Agricultural bank, establishment of: 9, 10.

Reduction of duties on Philippine products: 5-9.

LEGISLATION, PHILIPPINE COMMISSION, new laws passed: 67.

LEON, MANUEL DE, governor of Tarlac Province, report of: 456-460.

LEPANTO-BONTOC, PROVINCE OF:

Agricultural conditions: 317.

Cattle raising: 317.

Coffee crop: 317.

Communications: 318.

Copper deposits: 318.

Education: 316.

Elections: 315.

Governor, report of: 311-319.

Health and sanitation: 318.

Imports: 317.

Industrial school building: 314.

Mining: 318.

Peace and order: 311.

Provincial government, condition of: 312, 313.

Public works: 313, 314.

Roads and bridges: 314.

Road tax: 318.

Schools: 316.

Taxes: 313.

Townships, organization of: 316.

Trading stores, establishment of: 319.

LEPERS, number and condition of: 164, 180, 278, 323, 439, 451.

LEWIS, FREDERICK, mentioned: 386.

LEYTE, PROVINCE OF:

Agricultural conditions: 328.

Anisette (native wine), importation of: 330.

Brickyards: 329.

Cacao culture: 329.

Cholera: 323.

Coffee cultivation: 329.

Commerce: 329.

Communications: 325.

Constabulary, work of: 320-322.

Copra—

Harvested: 328, 329.

Price of: 330.

Corn crop: 329.

Convention of presidentes: 325.

Education: 325-327.

Elections: 319, 320.

Financial conditions: 324.

Governor, report of: 319-330.

Health conditions: 323.

Hemp—

Crop: 328.

Presses, operation of: 329.

Price of: 330.

Industries: 329.

Jails: 322.

Justice, administration of: 322.

Lepers, number of: 323.

Locust plague: 329.

Mail service: 320, 325.

LEYTE, PROVINCE OF—Continued.

Municipal administration: 327, 328.

Outlaws: 320–322.

Peace and order: 320, 321.

Petroleum, imports: 330.

Political conditions: 319, 320.

Provincial administration: 322–325.

Public works: 324.

Rice importation: 330.

Rinderpest, prevalence of: 323.

Roads and bridges: 324.

Sawmills: 329.

Schools: 326, 327.

Attendance: 326.

Population: 326.

Teachers: 325.

Smith, Bell & Co., closure of: 330.

Soda-water factories: 329.

Surra, prevalence of: 323.

Tacloban, fire at: 330.

Telephone and telegraph lines: 325.

Tobacco production: 329.

Treasury: 324.

LIGHT-HOUSE SERVICE, administration of: 71, 72, 73.**LIQUORS**, importation of: 16.**LOBINGIER, JUDGE**, mentioned: 35.**LOCUSTS:**

Destruction by: 43, 334.

Destruction of: 137, 138, 205, 206.

Plague of: 329, 398, 411, 455.

LOPEZ, BENITO, governor of Iloilo Province, report of: 285–292.**LOPEZ MANUEL**, governor of Occidental Negros Province, report of: 398–403.**LOSADA, J.**, governor of Batangas Province, report of: 193–197.**LUMBER:**

Industries: 301, 352, 368, 457, 465.

Price of: 432.

LUNA, J., governor La Union Province, report of: 475, 478.**LUZON, ISLAND OF**, peace and order, conditions of: 32–33.**McBRIDE**, guide, death of: 37.**McCOY, CAPT. F. R.**, Third Cavalry, mentioned: 343, 346, 386.**McCULLOUGH, MAX L.**, mentioned: 386.**McGHEE, C. B.**, mentioned: 347.**McINTYRE, CAPT. FRANK**, mentioned: 25.**MACHINERY**, importation of: 16, 17.**MAGALLANES PARK**, improvement of: 114.**MAGTAON**, outbreak at: 35, 36.**MAGUEY:**

Cultivation and production of: 151, 183, 269, 334, 416, 431, 476.

Price of: 476.

MANDAY, JUAN, governor of Zambales Province, report of: 478–483.**MANILA:**

City of, hemp received at: 157.

Harbor—

Condition of: 56, 57.

Cost of improvements: 56.

Free-entry port: 57.

Wharves, construction of: 56.

Water supply and sewerage system—

Bids, opening of: 10.

Capacity: 10.

Cost: 10.

Funds payable from: 11.

MAPA, HON. VICTORINO, mentioned: 112.**MAPS**, collection of: 23.**MARBLE DEPOSITS**: 186, 432.**MARRON, BONIFACIO**, governor of Romblon Province, report of: 431–433.**MEDICINAL PLANTS**: 282, 337.

MEMORIALS, propositions presented by people of Cebu: 254-268.

MERCURY DEPOSITS: 337.

MILLER, LIEUT. EDWARD Y., governor of Palawan Province, report of: 408-411.

MINDORO, PROVINCE OF:

Agricultural conditions: 331.

Bridges: 331.

Commerce: 331.

Crimes: 331, 332.

Education: 331, 332.

Elections: 330.

Governor—

Inspection trip: 330.

Recommendations: 332, 333.

Report of: 330-333.

Health and sanitation: 332.

Industries: 331.

Manufactures: 331.

Non-Christian tribes (Mangyans)—

Schools for: 332.

Settlements of: 332.

Palay harvested: 331.

Pier, construction of: 330.

Roads: 331.

Sawmills: 331.

MINERAL RESOURCES: 181, 186, 187, 199, 200, 209, 282, 337, 466, 482.

MINES: 241, 310, 318.

Mica: 272.

MINING:

Claims: 195, 199, 310.

Number filed by individuals or corporations: 72.

Laws, amendment of, recommended: 69, 70.

Mills, operation of: 199, 200.

MINT BUILDING, repair and occupation of: 114.

MISAMIS, PROVINCE OF:

Agricultural conditions: 333-335.

Aluminum deposits: 337.

Births: 339.

Carpenters, wages of: 335.

Coal deposits: 337.

Cocoanut plantations: 334.

Commerce: 335.

Copper deposits: 338.

Corn crop: 334.

Deaths: 339.

Dye woods: 337.

Economics: 335.

Education: 336.

Factories: 337.

Fiber plants: 337.

Financial conditions: 335.

Forests: 337.

Gold mines: 337, 338.

Governor, report of: 333-339.

Health and sanitation: 339.

Hemp—

Crop: 333, 334.

Varieties: 337.

Industries: 337.

Iron deposits: 337.

Laborers, wages of: 335.

Locusts, destruction by: 334.

Madrina, Louis (outlaw), character of: 339.

Maguey cultivation: 334.

Medicinal plants: 337.

Mercury deposits: 337.

MISAMIS, PROVINCE OF—Continued.

Minerals: 337.
 Natural resources: 337.
 Non-Christian tribes—
 Resources: 338.
 Settlements of: 338.
 Platinum deposits: 337.
 Police force: 339.
 Political conditions: 339.
 Potato crop: 334.
 Resins: 337.
 Rice crop: 334.
 Rinderpest, prevalence of: 334.
 Schools, 336.
 Attendance: 336.
 Sugar plantation: 334.
 Teachers: 336.

MONREAL, B., Governor of Sorsogon Province, report of: 443–451.

MONTALÁN, JULIAN (outlaw), surrender of: 30, 224.

MORO PROVINCE:

Agricultural conditions: 350.
 Agriculture: 377.
 Animals, health of: 351.
 Bliss, report of governor: 358–386.
 Bolton, Lieut. E. C., death of: 383.
 Bureaus, operation of, 379.
 Camp Keithley, settlement of: 353.
 Chinese tobacco law: 364, 365.
 Climate: 355.
 Coastwise transportation: 349.
 Cocoanuts: 350.
 Commerce: 377, 378.
 Conditions in: 85.
 Constabulary—
 Condition of: 385.
 Work of: 349.
 Cotabato district, conditions in: 343, 382.
 Courts, provincial: 348.
 Courts, tribal ward: 369.
 Crops: 343.
 Customs—
 Receipts: 347, 358, 360.
 Service—
 Condition of: 363.
 Cost of: 358, 360.
 Davao, district, conditions in: 343, 383.
 District fairs, operation of: 380.
 District officials: 340, 386.
 Education: 373–376.
 Compulsory attendance: 87.
 Cost of: 87.
 Exchange system, work of: 340, 341, 381.
 Exportations, value of: 377.
 Fairs, policy of holding: 380.
 Filipinos and Moros, relations between: 352.
 Filipino population, conduct of: 352.
 Financial conditions: 86, 358–363.
 Forests and forest products: 368, 369.
 Governor Bliss, report of: 358–386.
 Governor Wood—
 Civil service recommendations: 356.
 Land law, changes recommended: 356, 357.
 Recommendations: 355, 356.
 Report of: 340–358.
 Gutta percha, production of: 369.
 Headmen, list of: 370–372.
 Health conditions: 351, 378.

MORO PROVINCE—Continued.

Hemp—

Crop: 350.

Culture: 384.

Soils: 343.

Immigration: 350, 351.

Islands, condition on small: 353-354.

Cagayan de Sulu: 353.

Palmas Island: 353.

Sarangani: 353.

Sitanki: 353.

Tawi Tawi: 353.

Japanese settlers: 344.

Jolo, population of: 352.

Labor, need of: 344.

Lanao district, conditions in: 384.

Lanao Lake region—

Coffee exports: 342.

Conditions as to peace: 341, 342.

Hemp production: 342.

Inhabitants, condition of: 342.

Vessels: 342.

Land assessed: 360.

Land law—

Extension to: 365-367.

Result of: 357.

Legislative council: 340.

Lumber trade: 352, 368.

Mount Dajo, outbreak at: 344.

Native headmen: 348.

Needs of people: 357.

Opium traffic: 354, 355.

Organization, changes in: 379.

Overton-Keithley road: 364.

Construction of: 346.

Peace and order: 340, 341, 351, 352.

Personnel: 386.

Public works: 346, 363, 364.

Relation of troops to Moros: 342.

Roads: 346, 364.

Rubber—

Cultivation of: 369.

Output: 343.

San Ramon farm: 350, 376, 377.

Sawmills, establishment of: 342.

Schools: 373-376.

Attendance: 373, 374.

Cost of: 373.

System: 345.

Secretary, provincial: 348.

Settlements: 353.

Slavery, condition of: 354.

Steamer lines: 349.

Sugar productions: 350.

Sulu district, conditions of affairs in: 344, 345, 381, 382.

Taxes: 360.

Operation of law relative to: 367, 368.

Teachers: 346, 373.

Timber: 383.

Tobacco law: 364, 365.

Tonnage dues, abolition of: 357.

Transportation facilities: 349, 378.

Treasury, condition of: 347.

Tribal wards: 369-373.

Courts: 369.

List of: 370-372.

Wood, report of Governor. (*See* Governor Wood.)

Zamboanga district, conditions in: 381.

- MOROS, operations against: 39, 40.
 MORTON TRUST COMPANY OF NEW YORK, designated as depository of funds: 11.
 MOUNT DAJO, battle of: 39, 40.
 MUNICIPAL ACCOUNTS, audit of: 105.
 MURPHY, Maj. J. B., mentioned: 441.
 NAUTICAL SCHOOL, vessel of Navy loaned to: 4.
 NAVAL STATIONS, employees at: 223.
 NICHOLSON, FREDERICK AUGUSTUS, draft of bill submitted for agricultural and land banks: 602-632.
 NON-CHRISTIAN TRIBES:
 Characteristics: 192, 210, 220, 223, 273, 282, 302, 390, 396, 406, 410, 421, 454, 460, 466, 482.
 Condition of: 145-149.
 Industries: 220, 283.
 Progress of: 187, 220, 273, 290.
 Resources: 338.
 Schools: 283, 332.
 Settlements: 277, 282, 283, 302, 303, 332, 338, 390, 421, 477.
 NUEVA ECLJA, PROVINCE OF:
 Administration and progress of provincial government: 386, 387.
 Agricultural conditions: 387.
 Births: 391.
 Cattle, number of: 389.
 Cigarette factories: 389.
 Commerce: 387.
 Copper deposits: 389.
 Deaths: 391.
 Economics: 388.
 Education: 388.
 Factories: 389.
 Financial conditions: 388.
 Forestry: 389.
 Gold mines: 389.
 Governor—
 Recommendations of: 392.
 Report of: 386-392.
 Health and sanitation: 391.
 Immigrants, homesteads established by: 387.
 Industries: 389.
 Iron deposits: 389.
 Minerals: 389.
 Natural resources: 389.
 Non-Christian tribes—
 Characteristics: 390.
 Settlements: 390.
 Peace and order: 391.
 Political conditions: 390, 391.
 Railway line, establishment of: 387.
 Rice crops: 387.
 Rice hulling mills: 389.
 Schools—
 Attendance: 388.
 Number and expense of: 388.
 Smallpox, deaths from: 392.
 Sugar cane, cultivation of: 387.
 Tobacco—
 Cultivation of: 387.
 Price of: 387.
 Vegetables: 387.
 NUEVA VIZCAYA, PROVINCE OF:
 Buildings: 394.
 Education: 397.
 Elections: 392.
 Financial conditions: 393.
 Governor, report of: 392-397.
 Health and sanitation: 395.

NUEVA VIZCAYA, PROVINCE OF—Continued.

Igorots—

Number of: 396.

Police force: 396.

Land tenures: 395.

Municipal police: 396.

Non-Christian tribes: 396.

Peace and order: 393.

Public works: 393, 394.

Roads and bridges: 394.

Schools: 396, 397.

Township and settlement fund: 396.

OCCIDENTAL NEGROS, PROVINCE OF:

Agricultural bank, resolution concerning: 400.

Agricultural conditions: 398.

Cattle, lack of: 398.

Commerce: 399.

Economic conditions: 399.

Education: 400, 401.

Financial conditions: 402.

Governor, report of: 398–403.

Industries: 399.

Labor conditions: 398, 399.

Land tax, amount unpaid: 400.

Locusts plague: 398.

Municipal police: 403.

Peace and order: 402.

Political conditions: 403.

Public works: 401.

Roads and bridges: 401, 402.

Schools—

Attendance: 400.

Number and expense of: 400, 401.

Sugar, price of: 398.

Teachers: 401.

OFFICIALS:

Municipal—

Age required: 116.

Cases against: 115.

Relations between provincial and municipal: 141.

OIL:

Importation of: 16, 17.

Mills—

Number of: 152.

Sales: 152.

OPIUM:

Certificates, issuance of: 61, 62.

Importation of: 16.

Importation prohibited: 73.

Investigation committee: 60.

Recommendations of: 60.

Law—

Administration: 61.

Enactment of: 60–61.

Provisions of: 61, 62.

Purchased: 217.

Traffic: 354, 355.

ORANGES, cultivation and production of: 193.

ORIENTAL NEGROS, PROVINCE OF:

Agricultural conditions: 407.

Chalk deposits: 405.

Coal deposits: 405.

Commerce: 407, 408.

Copra production: 407, 408.

Corn crop: 407, 408.

Deaths, 407.

ORIENTAL NEGROS, PROVINCE OF—Continued.

Education: 404, 405.

Financial condition: 404.

Governor, report of: 404–408.

Health and sanitation: 406, 407.

Hemp—

Crop: 407, 408.

Price of: 407.

Industries: 405.

Manufactures: 405.

Non-Christian tribes—

Characteristics: 406.

Number of: 405–406.

Political conditions: 408.

Rattan cut and shipped: 405.

Resources: 405.

Rice importation: 407.

Schools: 404.

Sugar—

Crop: 407, 408.

Price of: 407.

Sulphur deposits: 405.

Timber: 406.

Tobacco crop: 408.

ORTEGA, JOAQUIN, lieutenant-governor subprovince of Abra, report of: 278–285.**OSMEÑA, SERGIO**, governor of Cebu Province:

Mentioned: 38.

Report of: 232–268.

OUTLAWS, conduct of: 320–322.**OVERTON-KEITHLEY ROAD**, construction of: 346.**OWEN, CAPT. THEO. I.**, mentioned: 296.**PACK, WILLIAM F.**, governor of Benguet Province, report of: 197–201.**PALAWAN, PROVINCE OF:**

Agricultural conditions: 408, 409.

Buildings: 411.

Commerce: 409.

Crime: 410.

Financial condition: 409.

Governor, report of: 408–411.

Improvements: 411.

Municipal police: 410.

Non-Christian tribes: 410.

Resins: 409.

Resources: 409.

Schools: 409.

Timber: 409.

PALAY:

Cost of: 412.

Cultivation and production of: 304, 331, 412.

See also Rice.

PALMAS ISLAND, conditions on: 353.**PAMPANGA, PROVINCE OF:**

Agricultural conditions: 411.

Commerce: 411.

Crimes and offenses: 413.

Economics: 412.

Education: 412.

Financial condition: 412.

Governor—

Recommendations: 414.

Report of: 411–414.

Health and sanitation: 414.

Industries: 412.

Jail, provincial, condition of: 413.

Labor: 411.

Locust pest: 411.

Manufactures: 412.

PAMPANGA, PROVINCE OF—Continued.**Palay—**

Cost of: 412.

Production of: 412.

Political conditions: 413, 414.

Public improvements: 413.

Rice crop: 411.

Roads and bridges: 413.

School buildings: 412, 413.

Schools: 412.

Attendance: 413.

Cost of: 413.

Sugar—

Cost of: 411.

Crop: 411.

Vegetables: 411.

PANGASINAN, PROVINCE OF:

Agricultural conditions: 416.

Births: 420.

Cacao: 416.

Cocoanuts: 416.

Coffee: 416.

Commerce: 416.

Crimes and offenses: 421.

Deaths: 420.

Economics: 415.

Education: 416, 417.

Financial conditions: 415.

Governor, report of: 415-422.

Health and sanitation: 420.

Industries: 416.

Maguey: 416.

Manufactures: 416.

Non-Christian tribes—

Population: 421.

Settlements: 421.

Peace and order: 419.

Political conditions: 420, 421.

Religious conditions: 420, 421.

Resources: 422.

Roads and bridges: 415, 418-419.

Schools: 417, 418.

Attendance: 417, 418.

Teachers: 418.

Social conditions: 420, 421.

PARKS, improvements: 114.**PARDONS:**

Applications for: 80, 111-114.

Committee to investigate character of applicants for: 112-114.

Number granted: 114.

PASIG RIVER, improvements, cost of: 56.**PASSPORTS, issuance of: 135, 136.****PATENTS, COPYRIGHTS, AND TRADE-MARKS, registration of: 124, 125.****PEACE AND ORDER:**

Conditions of: 29-40, 141-142.

Cebu and other Visayan provinces: 38.

Leyte: 36.

Manila and vicinity: 29.

Moro Province: 38.

North central Luzon: 31.

Samar: 34.

PENAL CODE, enactment of: 133.**PESO, cost of: 45.****PETROLEUM, importation of: 330.****PHILIPPINE COMMISSION:**

Laws passed by: 126-132.

Matters pending before: 133.

PHILIPPINE COMMISSION—Continued.

- Recommendations: 72, 73.
- Recorder, work of: 125, 126.
- Records of business transacted by: 125, 126.
- Report of: 29-74.
 - Period covered by: 29.
- Resolutions of: 132.
- Sessions—
 - At Baguio: 133.
 - Held: 126.

PINEAPPLES, cultivation and production of: 476.

PLATINUM DEPOSITS: 186, 337.

POLITICAL FACTIONS, comments on: 143.

POMPAC, ISIDRO (outlaw), mentioned: 440.

POPULATION, by provinces: 156.

POSTAGE STAMPS:

- Number and denomination prepared and shipped: 12.
- Stamp books, number and denomination prepared and shipped: 13.

POSTAL SAVINGS BANK:

- Deposits, amount of: 59.
- Establishment of: 9, 59.
- Interest on deposits: 9.

POSTAL SERVICE: 298, 438.

POTATOES, cultivation and production of: 198, 334.

POTTERY, manufacture of: 423, 482.

POWELL, JUDGE J. S., mentioned: 348.

PRISONERS:

- Committee to examine records of: 42.
- Records of: 112-114.

PROCTOR, CAPT. JOHN R., Artillery Corps, mentioned: 386.

PRODUCTS OF THE PHILIPPINE ISLANDS:

- Reduction of duties recommended: 5-9.
- Text of bill as passed House of Representatives: 7, 8.
- Vote: 6.

PROPERTY, inspection of: 108.

PROVINCES:

- Economic and financial conditions: 144.
- Visits to, by governor-general: 84.

PROVINCIAL GOVERNMENTS, changes in administrative control: 101.

PUBLIC IMPROVEMENT BONDS:

- Amount of: 48.
- Date of issue: 48.

PUBLIC WORKS:

- Disbursements for: 19.
- Provincial, construction of: 101.

PUBLICATIONS:

- Abaca: 23.
- Compilation of acts of Congress, treaties, etc.: 23.
- Distribution of: 22, 23.
- Forests and Forestry: 23.
- What has been done in the Philippines: 22.

PULAHANES:

- Condition of: 434, 435.
- Operations against: 34, 35.
- Operations of: 320-322.

QUARANTINE SERVICE, condition of: 71, 72.

QUARTZ DEPOSIT: 272.

QUEZON, MANUEL L., governor of Tayabas Province, report of: 460-474.

RAILROADS:

- Appreciation of: 10.
- Concessions: 10, 51-54.
 - Manila Railroad Company: 53-54.
 - Provisions of: 53, 54.
- Number of miles: 10.
- Philippine Railway Company: 52.
 - Execution of: 52.
 - Provisions of: 52.

RAILROADS—Continued.

Construction, bids for: 51, 52.

Miles of: 51, 52, 53.

Necessity of: 51.

Surveys for: 10.

RATTAN:

Commerce of: 405.

Cultivation and production of: 465.

REAL ESTATE, reassessment of: 102-104.**RECEIPTS AND EXPENDITURES:**

Insular: 18, 47.

Manila, city of: 19.

Provincial: 18.

RECOMMENDATIONS: 72, 73.**REED, WILLIAM A.**, governor Lepanto-Bontoc Province, report of: 311-319.**REEVES, CAPT. JAMES H.**, Fourteenth Cavalry, mentioned: 345, 386.**RELIGIOUS FACTIONS**, comments on: 143.**RESINS.** (*See GUMS AND RESINS.*)**RESOLUTIONS**, Philippine Commission: 132.**REVENUES.** (*See RECEIPTS AND EXPENDITURES.*)**REYNOLDS, CHARLES A.**, governor Albay Province, report of: 157-178.**RICE:**

Cleaning and hulling machines: 209, 389, 465.

Cultivation and production of: 43, 150, 183, 193, 198, 215, 222, 240, 270, 275, 279, 285, 304, 387, 411, 431, 452, 465, 476, 479.

Distribution of: 203.

Exportation of: 179, 216.

Factories, hulling: 457.

Hulling: 219.

Importation of: 16, 43, 287, 288, 330.

Price of: 216, 304, 476, 479.

Purchases: 217.

Sales: 217.

Transportation of: 160.

See also Palay.

RINDERPEST:

Deaths from: 204, 224.

Measures against: 43.

Prevalence of: 274, 323, 334.

RIZAL, PROVINCE OF:

Agricultural conditions: 422.

Buildings: 424.

Cement, manufacture of: 422.

China and porcelain, manufacture of: 423.

Commerce: 423.

Education: 424, 426.

Financial condition: 426.

Fishing; 422, 423.

Governor, report of: 422-431.

Hats: 422.

Health: 424.

Industries: 422.

Manufactures: 422.

Municipal police, reorganization of: 425.

Outlaws: 425.

Political conditions: 425.

Pottery: 423.

Public works: 423.

Roads and bridges: 423, 424.

Schools: 424.

Attendance: 427.

Buildings: 427-429.

Funds, condition of: 429-431.

Shoes, manufacture of: 422.

Sugar, price of: 422.

Teachers, number and salary of: 427.

Tiles and cement, manufacture of: 423.

- ROADS AND BRIDGES, construction and repair of: 43, 169-172, 174.
ROBINSON, H. B., mentioned: 386.
ROMBLON, PROVINCE OF:
 Agricultural conditions: 431.
 Cattle, 432.
 Chalk deposits, 432.
 Cocoanuts: 431.
 Commerce: 432.
 Copra, price of: 432.
 Hemp, price of: 432.
 Lumber, price of: 432.
 Tobacco, price of: 432.
 Economics: 432.
 Education: 433.
 Factories: 432.
 Financial condition: 433.
 Forest products: 432.
 Governor, report of: 431-433.
 Health and sanitation: 433.
 Hemp: 431.
 Industries: 432.
 Maguey: 431.
 Manufactures: 432.
 Marble: 432.
 Political conditions: 433.
 Resources: 432.
 Rice crop: 431.
 Schools: 433.
 Tobacco crop: 431.
ROOSEVELT, MISS ALICE, mentioned: 414.
ROOT, HON. ELIHU, mentioned: 5.
ROSS, HON. JAMES, mentioned: 112.
RUBBER:
 Cultivation of: 369.
 Output: 343.
SAKAY (outlaw), capture of: 30, 425.
SALARIES, PROVINCIAL, readjustment of: 106.
SALAZAR, A., governor of Antique, report of: 189.
SALEEBY, DR. NAJEEB M., mentioned: 346, 373.
SALOMON & CO., WILLIAM, mentioned: 52.
SALT INDUSTRY: 223.
SALVADOR, FELIPE (outlaw), operations of: 31, 32, 207.
SAMAR, PROVINCE OF:
 Agricultural conditions: 437.
 Army, United States, work of: 442.
 Constabulary, condition of: 441.
 Corn crop: 437.
 Education: 439.
 Financial condition: 436.
 Governor—
 Recommendations of: 442-443.
 Report of: 434-443.
 Health and sanitation: 439.
 Hemp: 437.
 Houses destroyed: 437.
 Internal-revenue taxation: 443.
 Jail and prisoners: 441.
 Land tax: 442.
 Lepers—
 Maintenance of: 439.
 Number of: 439.
 Municipal governments: 440.
 Municipalities: 442.
 Peace and order: 434-435.
 Police: 441.
 Political conditions: 435.
 Postal service: 438.

SAMAR, PROVINCE OF—Continued.

Prisoners: 434.

Pulahanes, condition of: 434-435.

Pulahanism: 440-441.

Public buildings: 443.

Roads: 435, 436, 437, 438, 443.

Schools—

Attendance: 439.

Buildings: 439.

Funds: 439.

Telegraph and telephone lines: 435, 438, 443.

Volunteer companies: 441.

SANDIKO, T., governor, Bulacan province, report of: 207-212.**SANITATION**, conditions as to: 149.**SAN JOSÉ COLLEGE PROPERTY**, litigation relative to: 58.**SAN RAMON FARM**, operations of: 350, 376, 377.**SANTA IGLESIA, OR HOLY CHURCH ORGANIZATION:**

Characteristics of: 31, 32.

Members of: 207.

SANTO DOMINGO. (*See DOMINICAN REPUBLIC.*)**SARANGANI ISLAND**, conditions on: 353.**SAWMILLS:**

Establishment of: 342.

Operation of: 329, 331, 457, 466.

SCOTT, MAJ. H. L., Fourteenth Cavalry, mentioned: 344, 345, 381, 386.**SCHLOTFELDT, FRED**, mentioned: 235.**SEWER AND WATERWORKS CONSTRUCTION**, disbursements for: 19.**SHEARER, CAPT. R. M.**, mentioned: 102.**SHIPPING:**

Interisland, condition of: 55, 56.

Regulations, date to go into effect postponed: 3.

SHIP YARDS: 240.**SHIRAS, F. D.**, report on irrigation system: 229, 230.**SHOES**, manufacture of: 422.**SIBUCAO:** 286.**SILK TEXTILES**, manufacture of: 209.**SILVER:**

Deposits: 186, 187.

Mines: 482.

Price of: 45.

SILVER CERTIFICATES. (*See CURRENCY.*)**SISON, DANIEL TORIBIO**, death of: 153.**SITANKI ISLAND**, conditions on: 353.**SLAUGHTERHOUSES:** 468.**SLAVERY**, condition of: 354.**SLAVE TRADE**, elimination of: 86.**SMEDBERG, CAPT. W. R.**, Fourteenth Cavalry, mentioned: 386.**SMITH, COL. FRED A.**, mentioned: 442.**SOAP FACTORIES:** 466.**SODA-WATER FACTORIES**, operation of: 329.**SORSOGON, PROVINCE OF:**

Agricultural conditions: 444.

Births: 448.

Cockpits, tax on: 450.

Commerce: 446.

Copra production: 446.

Deaths: 448.

Education: 448.

Financial conditions: 448.

Forestry wealth: 446, 447.

Governor—

Recommendations of: 451.

Report of: 443-451.

Health: 448.

Hemp: 445.

Crop: 446.

Price of: 446.

Lepers: 451.

SORSOGON, PROVINCE OF—Continued.

Prizes awarded at St. Louis Exposition, demands for: 447.

Public order: 450.

Public works: 450.

Resources: 446.

Schools—

Districts: 448.

Number of: 449.

Prizes: 449, 450.

Teachers: 449.

Storm—

Amount of losses: 444.

Destruction by: 444–446.

Houses destroyed: 444.

Persons injured, 444.

SPANISH-FILIPINO BANK, paper money in circulation, amount of: 46.

SPANISH-FILIPINO COINS. (*See CURRENCY.*)

SPEYER & Co., mentioned: 51.

SPIRITS, importation of: 16, 17.

SPIRITS, DISTILLED. (*See DISTILLERIES.*)

SPRINGER, JOHN E., mentioned: 348.

STAMPS. (*See POSTAGE STAMPS.*)

STEEVER, COL. E. Z., Fourth Cavalry, mentioned: 382, 386.

STRUCTURAL MATERIALS, importation of: 16.

STUDENTS. (*See FILIPINO STUDENTS IN THE UNITED STATES.*)

SUGAR:

Amount available for export: 8.

Cultivation and production of: 43, 151, 158, 183, 193, 208, 216, 222, 278, 286, 350, 387, 407, 408, 411, 476.

Exports: 17, 18, 65, 216, 279, 287.

Importation from Cuba to the United States, amount of: 8.

Imports: 16, 287, 288.

Manufacturing: 191.

Plantations: 334.

Price of: 183, 387, 398, 407, 411, 422, 476.

Purchases: 217.

Reduction of duties: 72.

Sales: 217.

SULPHUR DEPOSITS: 186, 405.

SULU DISTRICT. (*See MORO PROVINCE.*)

SUPPLIES:

Amount disbursed for: 14.

New York office, employees: 14.

Work of: 14.

Purchase of: 13.

Shipments, how made: 13, 14.

SUPREME COURT, reports, publication of: 136.

SURIGAO, PROVINCE OF:

Agricultural conditions: 452.

Coal: 454.

Commerce: 452.

Copper deposits: 454.

Copra exports: 452.

Corn crop: 452.

Economics: 453.

Education: 453.

Factories: 454.

Financial condition: 453.

Forests: 454.

Gold mines: 454.

Governor—

Recommendation of: 455.

Report of: 452–455.

Health and sanitation: 455.

Hemp—

Stripping machine: 452.

Value of exports: 452.

SURIGAO, PROVINCE OF—Continued.

Industries: 454.
Locusts: 455.
Nipa spirits, distilled: 454.
Non-Christian tribes, characteristics of: 454.
Political conditions: 454.
Rice crop: 452.
Roads and bridges: 453.
Schools—
 Attendance: 453, 454.
 Teachers: 453.

SURRA:

Destruction by: 42.
Prevalence of: 323.

SURVEYS, expenses of: 71, 72, 73.

SWIFT, CHARLES M., mentioned: 52.

SWINDELL, GEORGE M., resignation of: 98.

TABAL, QUINTIN (outlaw):

Surrender of: 248, 251, 252.
Family history: 251, 252.

TAFT, HON. WILLIAM H.:

Memorial handed to: 254-268.
Mentioned: 5.
Visit to Cebu: 246.

TAMAYO, FELIPE, surrender of: 320.

TARIFF:

Insular customs, revision recommended: 71.
Reduction of duties on Philippine products: 5-7, 62-65.
Text of bill as passed House of Representatives: 7, 8.
Vote: 6.

TARLAC, PROVINCE OF:

Agricultural conditions: 456, 457.
Commerce: 457.
Distilleries: 457.
Education: 459.
Factories: 457.
Financial conditions: 458.
Forests: 457.
Governor, report of: 456-460.
Health conditions: 459.
Industries: 457.
Lumber industry: 457.
Natural resources: 457, 458.
Non-Christian tribes: 460.
Peace and order: 456.
Political conditions: 456.
Population: 460.
Public works: 458.
Rice hulling factories: 457.
Roads and bridges: 458.
Sawmills: 457.
Schools—
 Attendance: 459.
 Number of: 459.
 Teachers: 459.
Tarlac dike, construction of: 458.

TAYABAS, PROVINCE OF:

Agricultural—
 Condition: 461-464.
 Machinery: 473.
Animals, death of: 473.
Buildings constructed: 469.
Cacao production: 463.
Caciquism: 461.
Cattle—
 Condition of: 464.
 Lack of: 461.

TAYABAS, PROVINCE OF—Continued.

- Cemeteries: 468.
- Cigarette factories: 466.
- Clay deposits: 466.
- Cocoanut cultivation: 464.
- Coal mines: 466.
- Coffee cultivation: 463.
- Colorum, condition of: 461.
- Commerce: 464, 465.
- Copra—
 - Crop: 463.
 - Cultivation: 463.
- Crimes and offenses: 472.
- Deaths: 472, 473.
- Distilleries: 466.
- Dyewood: 465.
- Education: 470, 474.
- Financial condition: 468, 469, 470.
- Forest products: 465.
- Governor, report of: 460–474.
- Hats, manufacture of: 465.
- Health and sanitation: 472.
- Hemp—
 - Crop: 462.
 - Cultivation: 462.
- Ice factory: 466.
- Industries: 465.
- Irrigation: 473.
- Jail: 472.
- Land tax: 470.
- Lumber: 465.
- Manufactories: 466.
- Markets: 468.
- Minerals: 466.
- Municipal—
 - Administration: 468.
 - Police: 461.
- Municipalities, condition of: 461.
- Non-Christian tribes—
 - Characteristics: 467.
 - Name of: 466.
 - Number of: 466.
- Peace and order: 460.
- Postal service: 472.
- Provincial administration: 469, 470.
- Rattan: 465.
- Resins: 465.
- Resources: 466.
- Rice—
 - Cleaning machines: 465.
 - Crop: 462.
 - Cultivation: 462.
- Roads and bridges: 469, 470, 474.
- Sawmills: 466.
- Schools—
 - Attendance: 470.
 - Construction of buildings: 471.
 - Number of: 470.
 - Teachers: 471.
- Slaughterhouses: 468.
- Soap factories: 466.
- Telegraphs and telephones: 472.
- Thermal springs: 466.
- Timber: 466.

TAYLOR, COLONEL, mentioned: 37.

TAYLOR, CAPT. JOHN R. M.:

- Completion of compilation of insurgent records: 25.
- Relieved from duty: 25.

TAWI TAWI, conditions on: 353.

TELEGRAPH AND TELEPHONE LINES, establishment of: 435, 438, 443.

TELEPHONE SYSTEM, introduction of: 101.

TEXTILES:

Industry: 281.

Manufacture of: 194, 206.

Plants: 282.

THERMAL WATERS: 282, 466.

THOMPSON, F. A., mentioned, 347.

TILES, manufacture of: 423.

TIMBER, production of: 192, 383, 406, 409, 466, 482.

TISADO, BALDOMERO (outlaw), imprisonment of: 321.

TOBACCO:

Consumption of: 49.

Cultivation and production of: 43, 84, 152, 158, 213, 239, 279, 280, 286, 329, 408, 431, 476.

Exports: 17, 18, 64, 65, 279, 288.

Factories: 309.

Importation from Cuba to the United States, value of: 8.

Law: 364, 365.

Chinese: 364, 365

Price of: 476.

Purchases: 217.

Reduction of duties: 72.

Sales: 217.

Value of, available for export: 8.

Value of output: 309.

TRADING STORES, establishment of: 319.

TRANSLATIONS, number of: 134.

TRANSPORTATION:

Contracts with steamship companies: 55, 56.

Filipino students: 111.

Government officials: 111.

Vagrant and destitute Americans: 110.

TREASURERS, PROVINCIAL:

Duties and responsibilities: 106.

Funds, deposit of: 106.

TREASURY, INSULAR, condition of: 47.

TRIBAL WARDS:

Courts: 369.

List of: 370-372.

UNION, PROVINCE OF. (*See* LA UNION.)

VAGRANTS, transportation of: 110.

VANCE, C. F., mentioned: 346.

VANDERBILT, CORNELIUS, mentioned: 52.

VAN HORN, CAPT. ROBERT O., Seventeenth Infantry, mentioned: 343, 386.

VAN SCHAICK, LOUIS J., governor, Cavite Province, report of: 222-232.

VEGAS, LUCIO DE (outlaw), surrender of: 224.

VEGETABLES, cultivation and production of: 152, 198, 270, 387.

VELEZ, APOLINAR, governor, Misamis Province, report of: 333-339.

VEYRA, JAIME C. DE, governor of Leyte Province:

Mentioned: 36, 37.

Report of: 319-330.

VILLAFUERTE (outlaw), capture of: 30.

VILLAMOR, BLAS, governor, Isabela Province, report of: 293-304.

VILLAMOR, JUDGE IGNACIO, mentioned: 31.

VILLAMOR, HERMENEGILDO, governor of Oriental Negros, report of: 404-408.

VOTERS:

Age of: 116.

Number of, by provinces: 156.

Qualifications of: 121.

WALKER, LIEUT. ALLEN, Philippine scouts, mentioned: 386.

WASHBURN, W. S., mentioned: 77.

WATER SUPPLY AND SEWERAGE SYSTEM, MANILA:

Contracts for construction: 10.

Cost: 10.

WHARVES, contracts for: 82.

WHITE & Co.. J. G., mentioned: 52.

- WHITE, CAPT. JOHN R., mentioned: 349.
WILSON, H. R., mentioned: 52.
WINES, importation of: 16.
WOOD, MAJ. GEN. LEONARD, United States Army:
 Mentioned: 36, 37, 38, 386.
 Report of: 340-358.
WOOD, O. V., mentioned: 344.
WORSWICK, LIEUTENANT, death of: 37.
WRIGHT, HON. LUKE E.:
 Resignation of: 83.
 Visit to Cebu: 246.
ZAMBALES, PROVINCE OF:
 Agricultural conditions: 478-479.
 Cinnabar mines: 482.
 Coal mines: 482.
 Commerce: 479.
 Economics: 479.
 Education: 480.
 Factories: 482.
 Financial condition: 479, 480.
 Gold mines: 482.
 Health and sanitation: 483.
 Industries: 481, 482.
 Manufactures: 479, 482.
 Minerals: 482.
 Non-Christian tribes, characteristics of: 482.
 Political conditions: 483.
 Pottery: 482.
 Resins: 482.
 Resources: 482.
 Rice—
 Crop: 479.
 Price of: 479.
 Schools: 480-481.
 Attendance: 480.
 Teachers: 480, 481.
 Silver mines: 482.
 Timber: 482.
ZAMBOANGA DISTRICT. (See MORO PROVINCE.)
ZIALCITA, L. L., governor, Bataan Province, report of: 190-192.

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